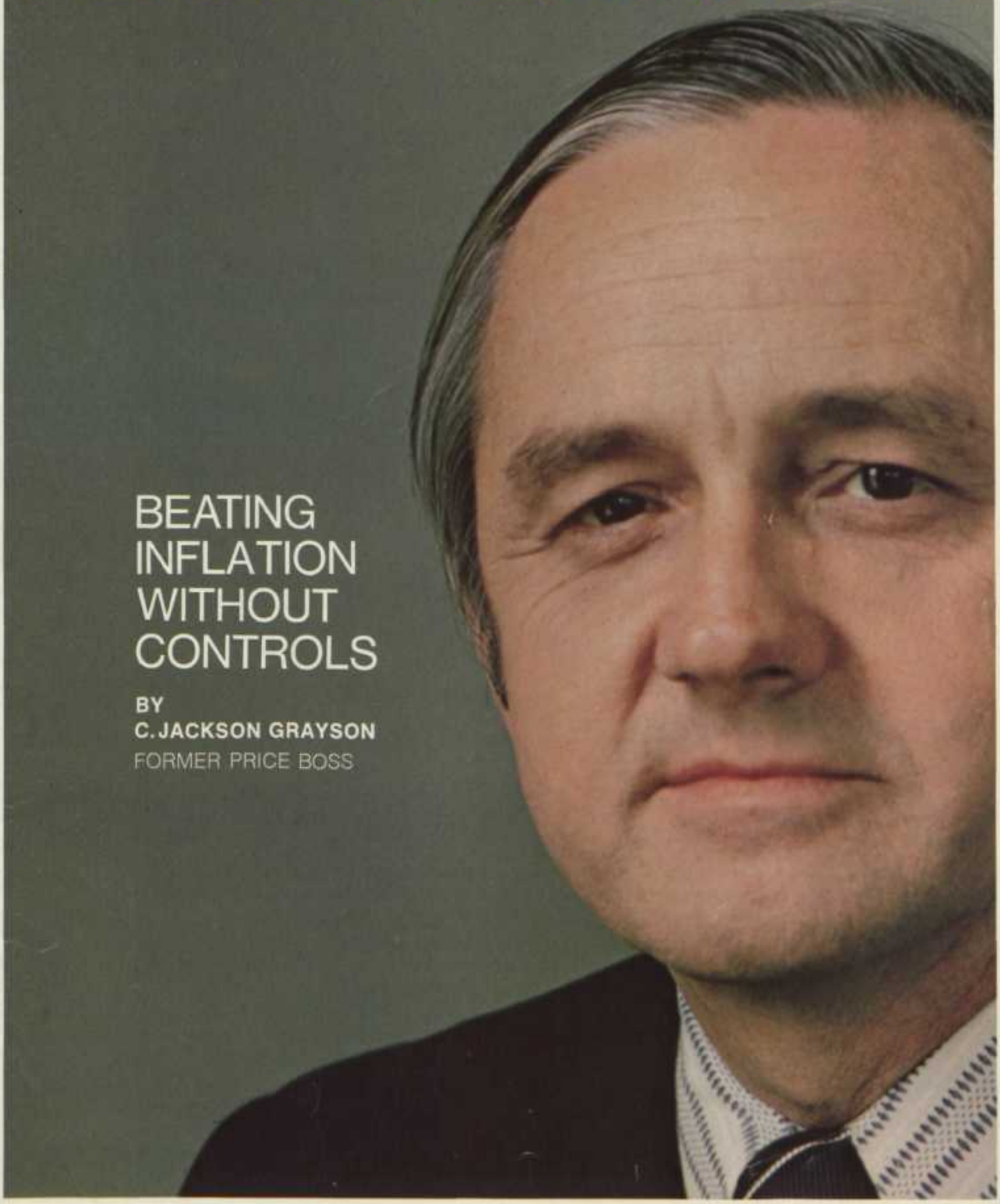
A USEFUL LOOK AHEAD FROM WASHINGTON

OCTOBER 1974

# Nation's Business



## BEATING INFLATION WITHOUT CONTROLS

BY
**C. JACKSON GRAYSON**
FORMER PRICE BOSS



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*Cover photograph by Yoichi R. Okamoto*


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# MEMO FROM THE EDITOR

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**Nation's Business** • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D.C. 20062



PHOTO: REMI

You may wonder why we're featuring as our cover article a prescription for fighting inflation without controls, by the former price czar.

After all, President Ford's firmly against controls, and Congressional leaders have indicated the same position.

Nevertheless, continued inflation could make wage and price controls politically appealing, even though they make no sense. After all, former President Nixon spoke firmly against controls right up to the time he imposed them.

More importantly, our article by C. Jackson Grayson, former Price Commission chairman, goes a great deal further than simply arguing against controls. It proposes a broad program for fighting inflation which does make sense.

Dr. Grayson's views and recommendations are his own, based on his experiences in attempting to run the government's price control machinery for 15 months starting in 1971. He is now back as dean of the School of Business Administration at Southern Methodist University.

• • •

The Chamber of Commerce of the United States, representing all types and sizes of business, has also proposed a broad new anti-inflation program.

A policy statement was prepared by the Chamber's Executive Committee in its own pre-summit meeting last month. It was presented to and discussed with President Ford by Chamber President Arch Booth and Chairman of the Board Charles H. Smith Jr. (center in photo).

The Chamber's recommendations differ slightly from those of Dr. Grayson, but there is also a great deal of similarity. Both are aimed at causes of inflation, rather than its symptoms.

• • •

One difference is the broader consideration of international aspects of inflation on the Chamber's part. For example, it emphasizes the need to break world-wide supply bottlenecks. This would require more cooperation and coordination among Free World countries.

The Chamber also believes that similar cooperation and coordination are necessary to mesh fiscal and monetary policies of various nations.

Finally, the Chamber recognizes that it may be necessary to cushion the impact of anti-inflation policies on some workers and families.

If you would like a copy of the Chamber's recommendations, drop me a line.

• • •

Incidentally, the unemployment figures for your area may not be as bad as they seem. There has been a change in the way government measures unemployment, which has twisted many of those figures. You'll find a complete analysis of this change in the article beginning on page 42.

The effects of having a high unemployment rate, however, are mixed. While such a rate may seem ominous, it also qualifies an area to receive federal aid under the Comprehensive Employment and Training Act.

Of course, the best solution would be government policies that encourage business to provide the jobs to wipe out unemployment.

Jack Wooldridge

# 10 ways to give your small business a fighting chance against inflation and other perils.

You want your business to be profitable, and so do we. To help, we've made a list of 10 essential things every small business owner needs to know about in these complicated times. Our thinking's free of charge, because we believe that helping you protect your financial future means better business for us both. Simply check the ones you'd like to hear more about and send this page, along with your name and address, to Phoenix Mutual, One American Row, Hartford, Conn. 06115.

**1.** Business valuation: If you haven't taken steps to establish a value for your business, there will come a time when the Internal Revenue Service will do it for you.

**2.** Accumulated earnings tax: This specialized 27.5% tax can really hurt a small business. If you don't know what it is or when it applies, you should.

**3.** Stock attribution rules: If you're in business with relatives, stock transactions can be complicated. A wrong move can destroy your plans.

**4.** Incorporation: It's surprising how many businesses that should be incorporated aren't. Incorporation could save you a lot of money.

**5.** Employee benefit and incentive plans: In today's marketplace, you have to compete with other companies. For employees. Without good benefit and incentive plans like pensions and profit sharing, you're not really competitive.

**6.** Tax shelters for you and key employees: Everyone talks about oil depletions and cattle ranches, but the more practical tax shelters are a lot closer to home.

**7.** Salary/wage continuation: In unsettled economic times, deferring compensation can provide current tax savings as well as protection against inflation.

**8.** Disability protection, including overhead expenses: If you're suddenly disabled, certain business expenses will have to continue. You need protection.

**9.** Stock redemption plans: At least one personal tax bill can be picked up by your business. It's worth looking into.

**10.** Your personal estate conservation: Sometimes you can be so busy making your small business a success, you don't have the time or the energy to do the same with your personal financial planning.



**PHOENIX MUTUAL PICK OUR BRAINS**

EXECUTIVE TRENDS

BY JOHN COSTELLO
Associate Editor

# Small with big

## Who makes how much

For men, M.D.'s cop the top dollar.

Some kinds of university profs do well, too. They drag down more than "managers and administrators," according to the Census Bureau. So do veterinarians and optometrists.

At best, "managers and administrators"—the term covers a lot of territory, from president to just above foreman—rank no higher than 13 on a list of the best-paid male occupations.

That's what the Census Bureau says, based on its 1970 nose-count. Here are the top 10, for men:

| Rank | Occupation | Median annual earnings |
|---|---|---|
| 1. | Physician | $25,000 (plus) |
| 2. | Dentist | $21,687 |
| 3. | Judge | $21,529 |
| 4. | Lawyer | $18,749 |
| 5. | College and university teachers—law | $18,161 |
| 6. | College and university teachers—medical and dental | $17,844 |
| 7. | Optometrist | $17,398 |
| 8. | Airplane pilot | $17,206 |
| 9. | Veterinarians | $16,505 |
| 10. | Actuaries | $15,629 |

The Census Bureau broke salaried business managers down into a number of categories. Here's how the best-paid of those categories rank, and their median yearly income:

Durable goods manufacturing, **13,** $14,829. Sales (except retail), **15,** $14,526. Nondurable goods manufacturing, **21,** $14,028. Finance, insurance, real estate, **36,** $13,322.

Construction, **45,** $12,795. Communications, utilities and sanitary construction, **48,** $12,741. Wholesale trade, **52,** $12,464. Business and repair services, **53,** $12,393. All other industries, **64,** $11,907.

Those are 1969 figures.

Presumably, all make more now. The Bureau of Labor Statistics says average hourly earnings are up 29 per cent since then.

For working women, it's a different world.

Their best chance at big sugar is in engineering. Sales engineers rank No. 1 for their sex in the Census Bureau listing, with annual median income of $13,181.

Women M.D.'s rank seventh, with $9,788—about $15,000 a year less than men.

In business, the ladies get a fairer shake. As executives, they do best in construction: $9,344 a year, according to the Census figures—about $3,500 less than their male counterparts.

Is it any wonder that there's a Women's Lib?

## Buying on the cuff

It's all the rage.

Consumer instalment credit outstanding hit a record $147.4 billion last year.

That debt's equal to about $700 for every American man, woman and child. It includes, among other things, items bought with a credit card and not yet paid for, but it doesn't include charge accounts at retail stores. At the end of 1973, another $7.8 billion was owed on those.

Here's how, year after year, Americans have cheerfully gone deeper and deeper in hock:

| | Instalment Credit Outstanding | | GNP |
|---|---|---|---|
| | (In billions) Total | (In dollars) Per Capita | (In dollars) Per Capita |
| 1950 | $ 14.7 | $ 97 | $1,870 |
| 1955 | $ 28.9 | $174 | $2,399 |
| 1960 | $ 42.9 | $238 | $2,788 |
| 1965 | $ 70.9 | $365 | $3,525 |
| 1970 | $102.1 | $498 | $4,766 |
| 1972 | $127.3 | $608 | $5,512 |
| 1973 | $147.4 | $700 | $6,120 |

GNP per capita is 3.3 times what it was in 1950; per capita instalment



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debt is 7.2 times greater and total debt 10 times higher.

"Consumer instalment credit," says Dr. Mark G. Bender, staff economist, National Consumer Finance Association, "is one of the unique growth phenomena of the American economy."

Most of the borrowers are young, NCFA says. Some 47 per cent are under 35; 59 per cent under 40.

Forty, they say, is when life begins. Out of hock?

## Mirror, mirror on the wall...

Well, big business isn't the fairest one of all. At least, not in the eyes of Americans.

But it still rates pretty high.

Sixty per cent of the public believe that the good things it does outweigh the bad, an Institute for Social Research survey finds. Taking a similar poll, the Illinois State Chamber of Commerce reports that 81 per cent of those it queried hold that view.

What do people think corporate giants do best?

Provide jobs, the ISR survey discovers.

They get high marks, too, for trying to improve products, correct pollution, hire minorities and back up warranties. Most of those polled by the Illinois Chamber believe big business works toward all those goals.

But it flunks some other tests.

Seventy-four per cent believe most products are now more poorly made than they were five or 10 years ago, the Chamber reports. And 73 per cent say big business treats customers too impersonally.

ISR asked how well 15 American institutions serve the country.

The armed forces were rated highest; colleges and universities, next; churches, third; small business, fourth. On a scale of zero for very poor up to eight for very good, small business scored 5.21. The armed forces score was 5.50.

Large corporations, rated 4.72, were eighth, behind public schools, news media and the U.S. Supreme Court.

How did Washington wind up?

Low on the totem pole. "U.S. Congress" was ninth, the "federal government," fourteenth; "President and Administration," last.

Organized labor's luck in the survey was poor, too. Only the public's low esteem for what goes on in the nation's capital kept it from bringing up the rear.

Unions finished thirteenth.

## Working harder and doing less?

Most managers believe the answer is Yes at their level.

Is the state of their productivity a problem, the American Management Associations asked business movers and shakers.

It sure is, an overwhelming majority reply.

To be exact, 63 per cent agree. Twenty-one per cent say No. And 16 per cent don't know.

If executive productivity is too low, why?

Here's why, the brass tell AMA:

- Fuzzy corporate or departmental goals—50 per cent.
- Poor leadership—48 per cent.
- Sloppy operating methods—33 per cent.
- Poor relations between boss and staff on the operating level—32 per cent.
- Inadequate training—31 per cent.
- Bad employee morale—31 per cent.
- Lack of skilled help locally—21 per cent.
- Problems with technology or automation—17 per cent.
- Other factors—14 per cent.
- Miscellaneous—23 per cent.

Pick three main reasons why the corporation is spinning its wheels, executives were told. That's why responses add up to 300 per cent.

But this mea culpa has a footnote.

Only 13 per cent of the executives feel they're the main reason why American business isn't getting more done. Over half (56 per cent) say it's the blue collar worker on the production line, 38 per cent say it's the foreman and 24 per cent finger the white collar paper-shufflers.

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BY JAMES J. KILPATRICK

# The Great Pledge

The American Legion held its annual convention in Miami Beach just a day or so after the Veterans of Foreign Wars met in Chicago. On both occasions, Old Glory was everywhere in evidence: on the caps of the men, in their coat lapels, on stage, in the hands of color guards. This is the flag to which Americans pay allegiance—to the flag, and to the republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

I happened to be sitting onstage during the final session of the Legion convention, in the midst of the flags, and for the first time in years I fell to thinking seriously about the pledge that all of us know so well. Subsequent events have kept these reflections alive.

President Ford made his amnesty speech to the VFW on Aug. 19. His surprising statement was still very much in the news when the Legion held its final convention session. A number of self-exiled draft dodgers had appeared on TV screens, scorning the President's overtures and defending their own position on Viet Nam as morally right.

Mr. Ford had yet to issue his pardon to the departed Richard Nixon, but the matter was under discussion. On the floor of the Legion convention, a resolution was offered denouncing Jane Fonda for stirring up dissent.

Let me pull these several threads together. Every time we salute the flag, we pledge allegiance to a concept so exalted that it is humbling to contemplate the precise words: *Liberty and justice for all!* If that pledge embodies the ideal meaning of our country, and if patriotism is to love our country, we ought to love the ideal and uphold its fulfillment. The task is fearfully hard.

Two obstacles get in the way. The first has to do with *justice*, the second with *liberty*, and both difficulties are enhanced by the final words, *for all.* Our banquet custom is to recite the ritual words as most rituals are recited, in anticipation of the fruit cocktail to follow. Even the most dedicated patriots pass by the pledge as they reach for a fork.

What is to be said of justice? It is not the same as law. To be sure, the rule of law is indispensable, and the motto carved in stone above the Supreme Court is, "Equal Justice Under Law," but that which is perfectly legal is not necessarily just, and that which we view as justice may not be absolutely in accordance with law. Not long ago, in Florida, a bigoted white youth was found guilty of stoning the home of a black family. The judge sentenced the youth to perform social work for a time in a black church. Because no such punishment is provided by law, the sentence may have been illegal; but it may also have been just.

So far as the draft dodgers and deserters are concerned, the law is reasonably clear. The youth who, having been ordered to report for induction, willfully failed to report for induction, is liable to criminal prosecution and punishment. So far as ex-Presidents are concerned, the law also is reasonably clear.

Mr. Nixon, except for the pardon granted him, could have been indicted and prosecuted. Exercising his lawful powers, Mr. Ford has prevented this. We know the law. What is justice?

In the wake of the Nixon pardon, the question commands our attention. In the view of the veterans' groups, a strong case can be made that law and justice coincide in the matter of the draft evaders. Generally speaking, the veterans believe justice demands that the exiles be prosecuted under criminal law. Amnesty, in this view, would be cruelly unfair to the families of men slain in Viet Nam. The principle was stated long ago by Thomas Randolph, the Seventeenth Century dramatist: "He that's merciful unto the bad is cruel to the good." Where does mercy fit in?

In his surprising decision on Sept. 8, Mr. Ford extended mercy to his predecessor. The law was given no chance to work, and the pardon provoked an outcry that Mr. Ford was being unjust—unjust to other Watergate defendants, and unjust to the ideal of "equal justice" itself. The pardon was lawful. It was compassionate. But putting every political consideration to one side, was the lawful compassion also just?

Benjamin Cardozo grappled with such questions in his long essay on "The Growth of the Law." The quality of justice, he said, often is confused or equated with the quality of charity. Judges often are urged to "temper justice with mercy." But far more is involved in the rendering of justice than the dispensation of charity or mercy. Justice, he said, is "the synonym of an aspiration, a mood of

## The Great Pledge *continued*

exaltation, a yearning for what is fine and high."

President Ford's proposition is to give the young draft evaders a second chance: He would drop federal charges in exchange for their commitment to work for a time in some area of national service—perhaps as orderlies in veterans' hospitals, or in reforestation, or in social service in the cities. The exiles would not be asked to risk injury or death, as in Viet Nam. They would be asked to make an equivalent sacrifice of time taken from their own lives.

The proposition is plainly lawful. In addition to his powers as commander-in-chief, making him the final arbiter of cases arising under the Uniform Code of Military Justice, a President has power "to grant reprieves and pardons for offenses against the United States." I am much less certain that the proposition is just. It contains those elements of cruelty to the good that Thomas Randolph had in mind. But if justice is a "yearning for what is fine or high," in Benjamin Cardozo's phrase, Mr. Ford's gesture toward reconciliation may merit approval.

What is to be said of liberty? It is a part of the American ideal that is less understood than justice. The Legion's floor resolution on Jane Fonda provided a case in point. The gravamen of the charge was that Miss Fonda provokes dissent. That, the actress does. If war ever had been officially declared against the Viet Cong, making the Viet Cong enemies in the constitutional sense, Miss Fonda would have sailed close to the windward edge of treason. I have no use for Miss Fonda, or for the organization of far-out freaks she purports to represent, but the issue is liberty—liberty *for all*.

If we believe in the words of the Great Pledge, and do not merely mouth those words, we have to believe in liberty for Jane Fonda. We have to defend her liberty as we would defend the liberty of every Legionnaire. No true patriot can do less.

The general proposition is this, that in a free country, the citizen must be at liberty to act or speak as he pleases, so long as—what? So long as he does no harm to the rights of others or to the security of society. Plainly, therefore, liberty is not absolute; liberty has fences, boundaries, limits beyond which it may not be extended. The eternal problem perplexing judges, philosophers and Legionnaires alike is to survey the fields of human activity and to say where the fences shall be placed.

Many of the nation's young people lately have been embroiled in controversies over the nature of liberty "for all." A considerable movement is afoot toward the legalization of marijuana. A debate continues over the rights of homosexuals. So respected a conservative writer as George F. Will has called for an end to laws prohibiting prostitution. New life-styles tend to undermine old concepts of marriage and the family. The debate over pornography goes on.

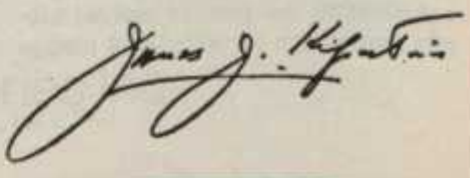
How should patriots define "liberty" in these areas? What harm is done to the rights of others, or to the security of society, if John and Mary live quietly together out of wedlock, provide for their illegitimate children, smoke pot in the privacy of their own apartment, and obey the civil laws? The answer often given—Chief Justice Warren Burger last year advanced the argument in a series of decisions on pornography—is that society is a kind of fabric in which all citizens and all communities are woven together. The strength of the fabric depends upon preservation of a tensile quality, and this involves tradition, taste and social custom as much as it involves abstract formulations of what is meant by "liberty." Nothing in the First Amendment, Justice Burger concluded, compels a free society to tolerate the pollution of hard-core pornography.

We ought to think upon these things. The Legion convention voted down the Fonda resolution, but mainly for parliamentary reasons. (The resolution had not been approved in committee, and there was no disposition to force a roll-call vote on delegates eager to go home). The question of liberty did not arise. Although the Legion did adopt a resolution reaffirming its opposition to unconditional amnesty, the resolution offered no confrontation with President Ford's position. Mr. Ford also opposes unconditional amnesty. The question of justice never was deeply examined.

But it is hard to think upon these things. Pending proposals to establish a Consumer Protection Agency raise grave issues of liberty within the American society. A hundred provisions of tax law, now up for renewed debate and "reform," involve considerations that go beyond revenue requirements; these are considerations that affect both liberty and justice. Proposals for national health insurance, for "equal employment," for racial-balance busing in the schools, all present fundamental questions: Are the proposals just? How do they affect our liberty?

Answers never are easy. In the end, legislatures must resolve questions of liberty by fixing the fences here, or here or here. Courts necessarily must define not merely what is lawful, but also what is just. Perfect solutions elude us. There are few Jeffersons around these days, and very few Solomons either.

But the fabric of a free society demands that all of us, in the name of patriotism, if you please, think as best we can upon what our society ought to be. It ought not to be rigid; it ought to have a certain flexibility; it ought to mold itself to the needs of succeeding generations; and it cannot be permitted to rot by neglect or abuse. *Liberty and justice for all!* Among all the nations of the world, our Great Pledge holds up the highest ideal. I wish we served it better, and I wish we thought about it more.



# GET RICH SLOWLY

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**Then why** don't most of us end up with at least a million dollars by the time we're 65?

Sometimes it is due to unavoidable circumstances—unemployment, family illnesses, and so forth. But surely an important factor is simply a lack of knowledgeable planning and sound money management.

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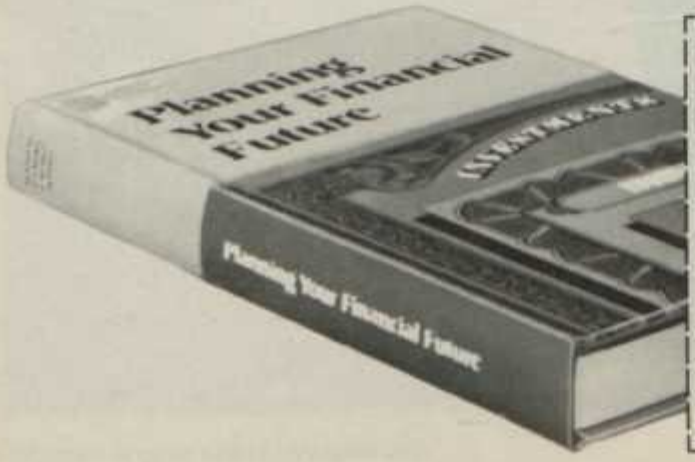
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SOUND OFF TO THE EDITOR

# Should We Have a New National Anthem?

"And now, please join in the singing of our national anthem. . . ."

With the bicentennial celebration of America's freedom approaching, that invitation will be issued with increasing frequency as patriotic ceremonies are held to commemorate independence and the events that led up to it.

But for some people, the idea of joining in singing "The Star-Spangled Banner" isn't especially appealing.

Not that they are unpatriotic or disapprove of showing loyalty to their country by singing its anthem. It's just that they don't think Congress made a particularly good choice in 1931 when it officially designated "The Star-Spangled Banner" as America's national song.

For one thing, they argue, the anthem is too difficult to sing, particularly when you get to "the rocket's red glare" part.

Another objection: The music is of dubious origin, having started out as the tune for an English drinking song.

Critics of "The Star-Spangled Banner" say the bicentennial would be a good time to replace it with something closer to the general public's singing abilities, like "My Country 'Tis of Thee" (whose tune also has an English origin—it's that of "God Save the Queen"); "America the Beautiful"; "Columbia, the Gem of the Ocean"; or "God Bless America."

Among the traditionalists who declare themselves dead set against replacing "The Star-Spangled Banner" is P. William Filby, director of the Maryland Historical Society, which owns the original copy of the words Francis Scott Key wrote during the bombardment of Baltimore's Ft. McHenry in the War of 1812.

Our present national anthem, Mr. Filby says, has become too much a part of the patriotic fabric of our country to be tampered with. "It would be too serious a step for so many millions who have heard it all their lives to change it now," he explains. Besides, he adds, those who advocate change are in such widespread disagreement over what the replacement should be that there is little chance they could arrive at a consensus in time for the bicentennial—if ever.

The American Revolution Bicentennial Administration agrees, and has recommended that no change be made. It would be inappropriate to use the bicentennial as the basis for change, ARBA says, because "The Star-Spangled Banner" is "so ingrained as our national theme."

What do you think? Should we have a new national anthem? If so, what should it be?

PLEASE USE FORM BELOW FOR REPLY

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20062

Should we have a new national anthem? ☐ Yes ☐ No

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SOUND OFF RESPONSE

# Rights, Wrongs and Required Balloting

A great many Americans obviously feel too many prerogatives have been taken away from them already, and they don't want to lose more.

This strong feeling is illustrated in answers received to the August "Sound Off to the Editor" question, "Should citizens be required to vote?"

The No side has it by a margin of about five to three.



*Those who fail to vote should pay a "modest monetary penalty of $25," says V.F. Koerner, treasurer, Mesta Machine Co., Pittsburgh, Pa.*

William B. Conner, accounting supervisor for E.I. du Pont de Nemours & Co., Wilmington, Del., says a "chill of fear" runs up his back whenever anyone proposes a law that says everyone must vote. "This sort of thing smacks of totalitarianism," he says.

Joseph M. Patten, president of Graphics International, Inc., Chicago, Ill., says that "advocates of the mandatory vote sound a little fascist to me." And he asks: "If the democratic process is to be strong and meaningful, how can you legally pass a law requiring a citizen to vote if he doesn't want to?" The U.S., he says, is a free republic based on individual rights, and a free choice of voting or not voting is one of those rights.

John Mills, manager, Mac's Delivery & Storage, of Sheridan, Wyo., writes: "We have already had too much of our freedom taken away from us. If this country could produce some honest politicians, maybe people would get out and vote. However, with the choices you have, why vote?"

Meantime, D.E. Hughes, manager of codes and ordinances for Southern California Gas Co., Los Angeles, Calif., strikes another theme. "Forcing people to vote would only mean that greater numbers would vote ignorantly and some even resentfully," he says. "Experience is still the best teacher. When we end up with unbearable governments and impossible politicians . . . even though it's painful, perhaps we should pay for our careless disinterest."

A.J. van Oosten, owner of Van Oosten Enterprises, Denver, Colo., wants no part of reluctant voters. "Who needs apathetic, uninformed people making their decisions binding on those who study the candidates and the points of debate?" he asks.

Carl J. Woodard, owner of Carl's of Cullman, Cullman, Ala., says that he once might have been on the other side, but now believes "we need some fair, realistic qualifications for voting. Only interested, informed people with a vested interest in this country, people who have some understanding as to what makes this country go, can vote intelligently."

Yes respondents feel as strongly about the issue as No respondents.



*Voting should remain a free-choice matter, in the view of Robert L. Kleimenhagen, industrial relations director, Freeman Shoe Co., Beloit, Wisc.*

Earl R. Barnard, a partner in Barnard-Marth & Associates, Anchorage, Alaska, wants a form of poll tax to be levied. "The privilege of equal opportunity shall require equal responsibility for every citizen," he writes. "The poll tax of yesteryear was discriminatory, therefore a no-poll tax for the future would be nondiscriminatory. If you vote, it costs you nothing. If you don't vote, it costs you $10 direct, with no exemptions."

Leonard H. Zak, president, Weston Sales and Service, Inc., Pittsburgh, Pa., also believes in required voting and suggests a special tax to fund a program to present issues, and candidates and their qualifications, to the public without prejudice.

Charles E. Snoddy Jr., of New York City, advocates charging as much as $20 for not registering and $10 for not voting, and suggests: "Use that revenue to reduce the national debt."



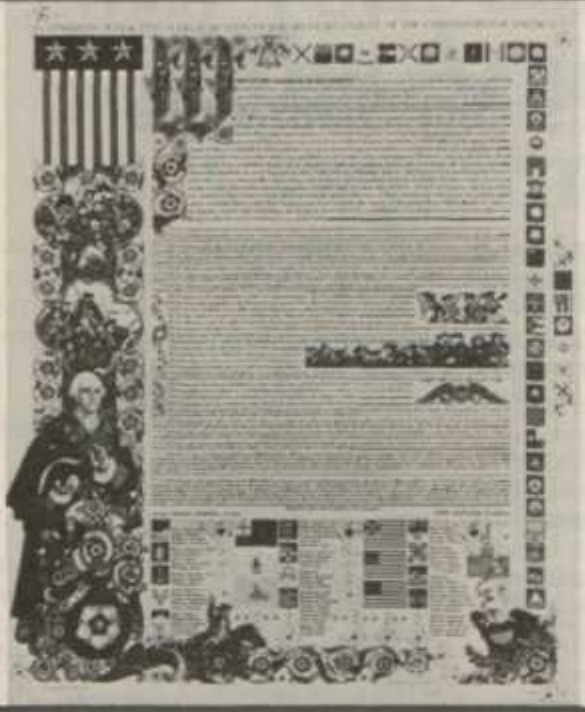
*Dow Dozier, of the Oklahoma Gas and Electric Co., Oklahoma City, Okla., opposes compulsory voting as "a mockery of the democratic process."*

G.R. Larson, operations manager for research and development in the international division of Abbott Laboratories, North Chicago, Ill., would go a longer way to force citizens to the polls. He writes: "Failure to vote in at least 50 per cent of elections during a five-year period, for example, should cause forfeiture of certain privileges. Threaten to take away the drivers' licenses of our citizens and we would need to triple our polling places."

Jeff Bentley, an Amarillo, Texas, certified public accountant, also thinks voting should be required—with some leeway. A $2 to $5 fee should be charged for "the privilege of not voting," he says. This fee, he adds, could go to pay campaign costs.

Recently, the American people "very nearly lost our freedom by our insensitivity to governmental affairs," writes Mrs. Elsie S. Atkins, president, International Employment & Market Research, Philadelphia, Pa.

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# Supporting the Government's Big Spenders

• Re your article, "How to Conquer Inflation" [August], spotlighting federal deficit spending as the primary cause of inflation. I would like to suggest a way to impress more forcefully on voters the fact that their labors provide the money the big spenders in Congress are handing out.

We should change the rules for deducting personal income and Social Security taxes so that they are deducted from every fourth paycheck instead of every check. The impact on the voter would be stunning and informative.

For example, the breadwinner for a family of four with an income of $300 a week now has an after-tax pay of $240.35, exclusive of other deductions.

If those taxes were deducted from every fourth weekly check, there would be three checks for $300 and then one for $61.40.

It does not require a PhD. in economics to figure out what would happen to the big spenders at the polls if this change were adopted. Plain old American common sense is enough.

HENRY V. MCCREA
*Certified Public Accountant*
*Marianna, Fla.*

• I agree fully with the basic premise: Control of government spending within a balanced budget is surely the most practical means of curing the terrible malady of inflation.

However, I am astonished that a responsibly written review of government spending could omit any reference to military spending, a more serious deterrent to a balanced budget than any other spending category.

In fact, the *increase* in the military budget over the last two or three years exceeds the money requirements of those social programs mentioned in your article.

The business sector has a responsibility to make its viewpoint more understandable to those who are not in close touch with its objectives. In my view, this is hard to do without insisting on meaningful answers to the question of why American military spending should increase after we have stopped fighting in Southeast Asia.

I encourage NATION'S BUSINESS, as the most respected organ of American business, to lead a campaign to insist on rational answers.

M.C. CARLSON
*Executive Vice President*
*Signode Corp.*
*Glenview, Ill.*

### A road to disaster?

• Re "A Better Way to Spend Billions?" [July] on the federal revenue sharing program.

In May of 1973, I wrote in the San Francisco Chamber of Commerce publication that "so-called revenue sharing . . . takes local officials off the political hook and permits them to spend more without being blamed for it. There will be a day of reckoning but that day is five to 10 years away and most of the contemporary advocates of revenue sharing will be gone."

I believe that ensuing events have proved my contentions that revenue sharing both accelerates inflation and diminishes local responsibility. More and more mayors consider revenue sharing a God-given right and are looking to Washington for solutions to their own administrative deficiencies.

My service as mayor of San Francisco (1955-64) showed me that this kind of economic blood transfusion—from local sources to the federal government back to local government, with a few drops spilled on the floor each time—will ultimately mean greater fiscal disaster.

Local governments often launch new programs on the erroneous assumption that federal aid will continue as long as the programs do. When that aid is cut off, local pressure groups compel the continuation at local expense of programs that would not have been started in the first place without the original outside source of funding.

Your article is very timely.

GEORGE CHRISTOPHER
*President*
*Christopher Commercial Corp.*
*San Francisco, Calif.*

### Smoking and free choice

• We read with interest the response [August] to your "Sound Off to the Editor" question, "Should America's smokers be isolated in, or banned from, public places?"

[*Editor's Note: Readers responding voted nearly eight to one in the affirmative.*]

We are aware of, and sympathetic to, the views and sentiments of those who object to smoking. We are concerned, though, lest any kind of anti-smoking ordinance, however general in terms, be offered as a legislated substitute for good manners and personal consideration, attributes which cannot be legislated.

No one in the tobacco industry would quarrel with an ordinance which bans smoking in small, enclosed areas such as elevators. But we feel free choice should remain the essence of a free society.

Every nonsmoker has the right to object when annoyed by tobacco smoke and the smoker should have the courtesy to desist. Conversely, every smoker should have the opportunity to smoke when he feels the need and to enjoy those moments of pleasure unless someone is obviously inconvenienced and made uncomfortable.

We are convinced that the majority of smokers would accept this approach willingly, without the drastic step of enforced regulation—which is becoming all too prevalent in our lives.

CARL J. CARLSON
*President*
*Cigar Association of America*
*New York, N.Y.*

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QUARTERLY OUTLOOK SURVEY

# The High Cost of

## What's ahead for the economy in the near future? Executives take a



*Stonie Barker Jr., president of Island Creek Coal Co., Lexington, Ky., is hopeful. "Demand is strong and shortages still prevail, but weak segments like autos and retail sales are improving. Monetary actions have been expansionary." He adds: "Interest rates will decline."*



*Charles Moeller Jr., senior vice president and economist, Metropolitan Life Insurance Co., New York City, thinks the economy will be level for the final quarter. He forecasts a "sluggish consumer sector, strength in the business sector and a moderately supportive government sector."*



*"Unions with which our companies have contracts do not appear to be appreciably more militant than a year ago," reports Stanley E.G. Hillman, president and chief operating officer of Illinois Central Industries, Chicago, Ill., but inflation is hurting profits.*

Continuing inflation, and efforts to check it, will put a brake on the economy for the rest of 1974, most businessmen responding to the latest NATION'S BUSINESS Outlook Survey agree.

A heavy majority predict the economy will either continue to level off or turn down in the fourth quarter. That's a marked change from sentiment expressed in the last such quarterly survey [see "More Steam Ahead," NATION'S BUSINESS, July]. A majority of businessmen polled then thought the economy would move ahead in the second half of 1974.

This new thinking is in line with views expressed when President Ford last month brought together a large group of economists to give him their ideas on where the economy stood, how to pep it up and how to break the inflation cycle gripping the nation. The consensus at the meeting was that the economy was due for a painfully sluggish period the rest of the year.

The economists' meeting was a prelude to the "Economic Summit" of business, labor, academia and government which the President later convened to discuss a whole range of economic problems and possible resolutions.

Inflation, executives say in the NATION'S BUSINESS poll, is sapping consumers' buying power and causing them to pull in their horns. At

# Inflation

## less-rosy view than they did a few months ago



*"The gradual reduction of some of the nation's acute energy and material shortages is encouraging," says Robert D. Williams, president and chief executive officer of First National Bank of Arizona, Phoenix, Ariz., but the inflation situation is not.*



*"There are many lingering effects of the energy situation both in terms of cost and availability," comments C. William Verity, chairman, Armco Steel Corp., Middletown, Ohio. "These adverse effects can be overcome if there is no further disruption by ill-advised governmental policies."*

the same time, tighter money policies adopted by the Federal Reserve Board to fight inflation are making it tougher and more costly for businesses to borrow funds to finance expansion.

"I think the economy will go down for the rest of the year due to the lag effect of higher interest rates," comments John C. Neff, president of Hospital Corp. of America, Nashville, Tenn. "Unemployment will go up and construction activities will continue to decline. Consumers are being more conservative."

Energy and material shortages are also negative factors, businessmen report.

"We are continuing to be seriously affected by shortages of certain critical raw materials," says W. Fred Anderson, president and chief executive officer of Electric Hose & Rubber Co., Wilmington, Del.

Phillips Petroleum Co. is also plagued with shortages, says Chairman W.F. Martin in Bartlesville, Okla. This results from a "lack of capacity in the steel and steel fabrication industries." But he sees his company's profit picture improving.

The generally bearish sentiment about the economy as a whole is broken when businessmen are asked about the sales and profit outlook for their own firms. Most expect gains in both those categories despite their rather gloomy outlook for the national economy.

Here's how answers break down to major questions in the survey (not all executives answered all queries):

*"What do you think the nation's economy will do for the rest of the year—go up, level off or turn down?"* A total of 121 businessmen say they expect the economy to level off while 99 predict a downturn and 45 look for a pickup in activity.

*"What are you looking for this year in the way of sales or volume for your business in comparison to last year?"* finds 186 seeing a gain, 45 a decrease and 38 about the same level as 1973.

*"How will profits compare to 1973?"* shows 161 respondents forecasting increases and 69 declines, while 33 think their bottom lines will be about the same as last year.

A strong majority of 188 say organized labor is tougher to deal with this year while 41 say it isn't, in answering the question, *"Are unions more militant about pay raises and working conditions than a year ago?"*

As for unemployment, 209 executives expect more, 38 think the current level will hold while only 20 forecast a lower level, in replying to, *"What do you think unemployment on the national level will do for the*

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## The High Cost of Inflation *continued*

*rest of the year? Go up, go down or stay the same?"*

*"Are you planning increases or decreases in capital investment?"* finds 125 executives reporting planned increases, 82 putting investment for new plant and equipment at last year's levels, and 52 reporting planned decreases.

*"Are there any lingering effects on your business from the energy situation of last fall and attendant material shortages?"* A heavy majority of 201 answer in the affirmative while 66 say No.

"Until the world economic condition is resolved to some degree this country will reflect what is happening world-wide," comments Saul S. Sherman, chairman of Allied Products Corp., Chicago, Ill. "Until more capital is available for business here it cannot prosper."

George W. McKinney Jr., senior vice president of Irving Trust Co., New York City, says: "We expect a modest increase in real GNP and some slackening in the interest rate. Federal Reserve policy is slowing business spending on plant and equipment and inventories."

"Tight money and the depressing effects of inflation on real consumer spending will prevent any appreciable upturn in the economy," comments Frank T. Cary, chairman of IBM Corp., Armonk, N.Y. However, he sees capital spending as a plus and expects his company's volume to show an increase for the year.

"The nation's economy is expected to level off for the remainder of the year with gradual recovery throughout 1975," remarks Paul J. Dunphy, senior vice president-finance and treasurer of Anchor Hocking Corp., Lancaster, Ohio. Mr. Dunphy says his firm anticipates its sales and earnings to be above 1973 levels. "Productivity gains, large personal savings reserves and increased capital spending plans are positive factors" in the national economy, he says. "Severe inflation and high interest rates are detriments to economic progress."

Bill C. Wainwright, president of Atlanta Federal Savings and Loan Association, Atlanta, Ga., is gloomy about the economy: "There are too many shortages of basic products. Inflation, and continuing unmitigated interest rates are unreal." Mr. Wainwright thinks his firm's volume and profits, due to the poor housing market, will be "down drastically, perhaps by 50 per cent." He lists the "ability of the American people to bounce back" as the most encouraging thing about the economy now.

More optimistic is Robert W. Moore, president of Vermont Structural Steel Corp., Burlington, Vt. "I think the economy will go up slightly because of demand," he says. While Mr. Moore expects higher sales for his firm this year, profits will be down, he thinks, "because of low volume in the first half caused by steel mill delays." And "high fuel costs that cannot be fully recovered" continue to plague his company.

J.A. Elliott, vice president and treasurer of Beech Aircraft Corp., Wichita, Kans., forecasts Beech's sales as up 15 per cent from last year and profits as gaining by 20 per cent. He says the most discouraging thing about the economy now is "the continual ignoring of natural economic laws by labor and the public. Only productivity enables us to gain better things. This fact must be made clear to all."

John V. James, president and chief executive officer of Dresser Industries, Inc., Dallas, Texas, says: "We believe GNP, based on constant price levels, will drop from present levels as the government attempts to fight inflation by slowing growth in the economy." He adds:

"New orders continue to come in, and this is encouraging. However, higher wages, material costs and interest rates can only be considered detrimental to future growth."

While he does not expect much real growth in the economy for the remainder of this year, James G. Affleck, president of American Cyanamid Co., Wayne, N.J., says his company plans to spend a total of $125 million on capital investments in 1974—double what it did in 1973.

But Richard H. Rich, chairman of the executive committee of Rich's, Inc., Atlanta-based department store firm, says Rich's has had to put off some of its planned capital investments due to economic conditions.

END




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# Beating Inflation Without Controls

**BY C. JACKSON GRAYSON JR.**

President Ford has injected a welcome note of reality into the fight against inflation by (1) rejecting wage and price controls and (2) urging that the public be told the truth.

In doing this, he has opened up the possibility that, for the first time in a long time, good economics may also make good politics. For until now, politicians have tended to shy away from the tough decisions that have to be made, and opt for "popular" solutions, such as wage-price controls.

Yet despite President Ford's firm stand, and despite the all-too-recent evidence of the failure of controls, there are those who continue to urge that we should return to them in some form or another. If inflation worsens over the next few months, I fear the pressure for their return may become irresistible.

Nothing could be worse. Not only would controls fail to solve our problems, they would make them more serious. And they would lead to further neglect of the real answers to inflation. I saw this happen during my 15 months as chairman of the Price Commission. It must not be allowed to happen again.

To prevent this, the public *must* be told the truth. In a recent book about my experiences on the Commission ["Confessions of a Price Controller"], I have detailed many of the distortions which occurred—and the negative, antiproductive, anticompetitive and pro-inflationary trends which controls encouraged.

*The author of this article is dean of the business school at Southern Methodist University, a post from which he took leave to serve as chairman of the federal government's now-defunct Price Commission from November, 1971, to January, 1973.*

Just a few examples: Controls led to artificial middlemen, black markets and plant shutdowns. Companies trapped with low base-period profit margins began selling out to those with higher base margins, or sending their capital overseas or reducing their product lines. False job upgrading increased to get around controls on pay raises. And shortages spread as higher world prices pulled domestic supplies abroad.

The most dangerous thing of all about wage-price controls, however, is that they deceive the public. They draw attention away from the fundamental factors that affect inflation and focus it on treating the symptoms instead of the disease itself.

How, then, do we root out the disease? And can we really do it without controls? I believe we can. But we have to face the reality that there is no miracle cure, no easy solution.

Solutions are not easy because this inflation has been gathering momentum for a long time, and the causes are pervasive. Many of them are political rather than economic, and it therefore will take political actions to get rid of them. The electoral cycle is not the same as the business cycle, and long-term economic decisions are often made for reasons of short-run political expediency.

There is a lag in getting capacity (supply) increased, and the public wants increased supply (and price reductions) now. Our social demands are still very strong, and we don't particularly want to give up any of our gains in education, health, welfare, housing or transportation—to name but a few areas—even though the price tags on all of them are up sharply.

Business and labor naturally fight to protect what they regard as their best interest.

Against this setting, the public often feels helpless. The politicians, fearing that we cannot stand tough, broad deflationary actions, hesitantly wait for signals that the nation will tolerate them. Yet they are exactly what is required.

Anything President Ford comes up with must hit this inflation deeply—not only because that is what it takes, but also because we must break inflationary *expectations*. If the program is not bold, widespread, and acted on, it will be labeled a "do-nothing" program. It will not inspire Congress, business or labor to change behavior—economically or politically. A great chance will have been lost for a long time.

What is needed is a comprehensive program that will attack the many inflationary biases that have crept into our economy over the years. These include:

- Overexpectations and overspending.
- Underproductivity.
- Reduction of competition.
- Overemphasis on demand, and not on supply.
- Overregulation of the economy.
- A search for "full" employment.
- Rigidities of institutions—government, business, labor.
- Environmental controls "at any price."

Here are my specific proposals for such a program:

### Fiscal policies

*Cut federal spending.*

Cut the government budget to bring it approximately in balance.

This should be done even if some currently mandated programs have to be undone or deferred. Cuts should be made by Congress, in conjunction with the Executive. But Congress should take the initiative.

The public mood may never again be so receptive to belt-tightening and sacred cow reductions as *now*. What is done now may influence public resolve for decades to come.

*Aim for long-term budget surpluses of 1 to 2 per cent.*

The budget goal for succeeding years should be a surplus equal to 1 to 2 per cent of federal outlays.

This is particularly important



*Everybody's worry is how to beat inflation, tagged Public Enemy No. 1 by President Ford. Here Mr. Ford is (upper center) at a conference of leading U.S. economists, who were called together last month to discuss ways of achieving the goal without the wage-price controls that some urge.*

# Beating Inflation Without Controls *continued*

when such urgent demands exist for financing capital formation. This could add about 2 per cent to the flow of national savings, decreasing pressure on monetary policy.

*Pare future spending commitments.*

Congress should commission and publish a long-term study of legal and social commitments for future expenditures. This nation has probably already either committed or "promised" more than we can afford.

Our wants in the past few years have been transformed into expectations and often into "needs." No study has ever totaled up these commitments and expectations on a long-term cumulative basis for both the public and private sectors.

Society will have to make the choice between cutting back or increasing productivity to afford the goals. We need the data and some political candor.

*Make the Congressional budgeting process work.*

Probably the greatest eventual hope for reducing inflation rests with the new budgeting process passed by Congress, which will first be applied fully to the budget for fiscal 1977.

For years we have had social expenditures much beyond our means without the procedure or will to total them up relative to our economic resources. Congressional action to live up to the recently passed bill would set an example for the rest of the nation.

*Alter capital gains and losses taxes.*

Decrease capital gains tax rates. Increase capital loss deduction limits. Alter holding periods.

It would probably not be desirable to change them in large amounts, and suddenly. Some people might liquidate and invest in short-term markets. Also, sudden relief would probably not be politically feasible.

A schedule could be created for a gradual easing, over a period of years, to encourage savings and investment.

*Create a variable investment tax credit system.*

Investment tax credits work. They stimulate and suppress capital investment, and our economy and certain sectors need different levels of stimulus at different times.

For example, right now those sectors of the economy that provide critical materials are among the hardest hit by energy prices, pollution control expenditures and shortages of capital. Utilities, particularly electric utilities, are a prime example.

Procedures for administering the tax level could be established by delegation to the Executive branch, with reservation of veto powers by Congress.

*Tax relief for low income groups.*

Inflation hits hardest those most unable to cope—retirees, the poor, the aged and the ignorant.

Both from a sense of equity and also to keep political support during these difficult times ahead, some economic relief should be provided for them.

A broad tax cut to provide relief would be too much stimulus. But changes in personal income tax standard deductions should be made. Other similar tax relief steps could be enacted.

*Exempt some interest income.*

Exclude from taxation, up to some amount, interest income on savings. This would provide tax relief and encourage savings.

A suggested amount is $1,000, but this should be studied further to determine the proper level.

**Monetary policies**

*Ease (slightly) tight money.*

Sufficient soft spots and some danger signals are appearing in the economy, so the Federal Reserve should ease up on the tight money policies which until now have been necessary.

But the easing should be slow and small. A big release would threaten all that we have gained thus far, and would be a signal domestically and internationally that we had lost resolve to fight inflation.

This, in itself, would increase inflationary premiums in the money markets.

*Cut long-term money supply growth to 4 to 5 per cent.*

Gradually pull back the rate of monetary and credit expansion to fall in line with the growth in our long-term productive capability.

Any significantly higher rate is inherently inflationary. U.S. productive capacity has grown annually at about 4 per cent (and currently may be less). Money supply should work itself down to at least the same range of about 4 to 5 per cent.

**Deregulation**

The removal of wage-price controls was an important step toward reducing burdensome overregulation of our nation's economy. The process should continue in order to reverse a trend that has been proceeding inexorably over the years with little regard to the resulting impediments to competition, efficiency and capacity increases.

It is now clear that the underbrush of overregulation has impeded growth, decreased competition and added to inflationary pressures. Many of these are politically sensitive, but —again—now is perhaps the best time to successfully tackle sensitive areas. Some possibilities:

- Remove the remainder of agricultural restrictions on production practices.
- Decrease competition-limiting regulations in other regulatory bodies such as the Interstate Commerce Commission, Civil Aeronautics Board, Federal Power Commission and Federal Communications Commission.

**Productivity**

Initiate a massive program in both the private and public sector to improve productivity.

Announce a four-part action program that stresses both the quantity and quality of productivity.

Improving productivity does fight inflation, and our citizens generally understand its importance more than they do "fiscal-monetary" tools. It will also help to close the gap between social expectations and the size of the national pie.

Suggested steps:

1. Strengthen and revise the off-and-on again public sector National Commission on Productivity.

2. Create a private sector "American Productivity Center" that would be

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# Beating Inflation Without Controls *continued*

similar to such centers in Japan, Germany and Israel.

3. Have the Departments of Commerce and Labor conduct regional surveys of individuals and groups to secure ideas for increased productivity.

4. Hold an "International Conference on Inflation, Employment and Productivity."

### Competition and subsidies

Certain laws and special subsidies have been enacted over the years to protect special interests—both business and labor groups. In practically every case, they were "justified" as being in the national interest or to protect a deserving group. In almost every case, they result in a reduction of competition, higher unit labor costs, higher prices and reduced competitiveness abroad.

While I do not recommend immediate abolishment of all of them, each should be considered for removal or serious reduction in size and scope.

The candidates for such action include the Jones Act, the Buy American Act, the Davis-Bacon Act, resale price maintenance, agricultural subsidies, restrictive building codes, restrictive work rules and import quotas and tariffs.

Most of these, if tackled separately, would probably go down to defeat politically. It may be best if all were publicly examined anew and, as Prof. Hendrik Houthakker of Harvard suggests, put together in an "omnibus" bill with some short-term protective provisions for those injured in the phase-out.

### International

The pending trade bill should be passed.

Any agreements which lead to an opening up of national borders for enlarged trade exchanges usually result in competition (here and abroad) and lower prices. Any step that would reduce trade, such as export controls, should not be imposed.

### Further study

An additional general recommendation is that one or more of our large foundations carve out a sizable program to study inflation. We know much too little about the causes, effects and/or cures for one of the scourges of modern society.

These studies should not be centered mainly in isolated think tanks —inflation is too much a social and political problem, as well as economic. Studies should be made in business, labor, trade associations and professional organizations as well. Our goal should be to study inflation, not with the idea of finding ways to relax and enjoy it, but with the resolve to find the best, most practicable ways to bring it to an end and limit its recurrence.

### Some don'ts

*No general tax cut.*

Even the general public recognizes that this would be inflationary now. It would not only be an economic mistake, it would probably be bad politically.

*No economic planning agency.*

With feelings running high about inflation, shortages, credit crunches and depressed capital markets, the time will be ripe for a push to create "national planning." This would be going in the wrong direction.

Every method should be used to decrease government influence in the marketplace, not to increase it. It is no accident that this nation, with its 200 years of a competitive, consumer-oriented, market-driven economy, has produced the highest standard of living in the world's history.

*No wage-price controls.*

It is particularly important at this critical juncture that we *not* resort to controls. It is impossible for any government agency to improve on the system in which billions of daily market decisions by the public determine the allocation of our resources.

I have tried to outline how we can control inflation without controls—and why we must. It will not be easy —or quick.

But I believe it is essential for the long-term good of our American system. As Thomas Paine cautioned us: "Those who expect to reap the blessing of freedom must undergo the fatigue of supporting it." This is a burden and a responsibility we all share.

END

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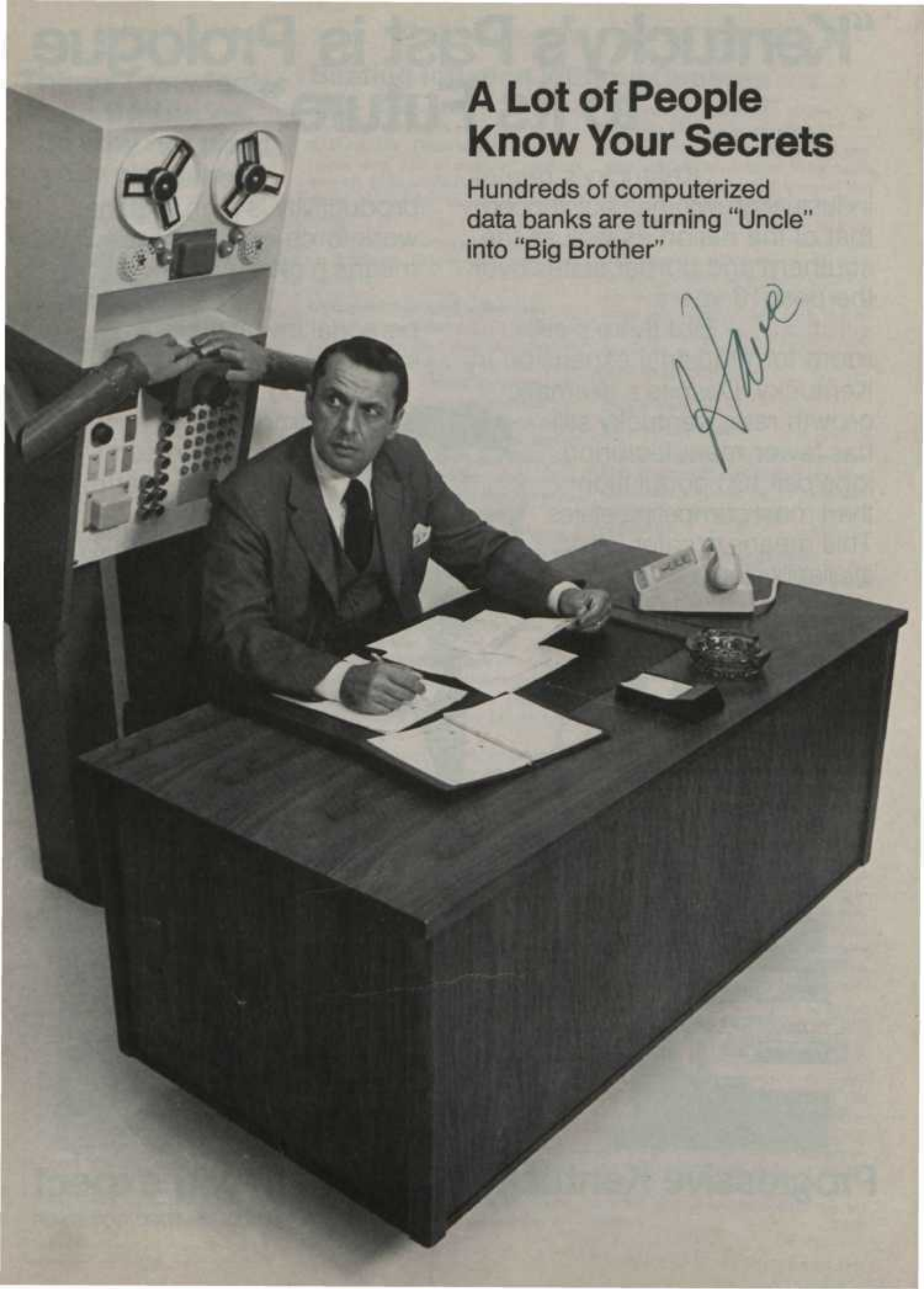



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# A Lot of People Know Your Secrets

Hundreds of computerized data banks are turning "Uncle" into "Big Brother"



Get a $1 bill from your pocketbook, turn to the green side and look on the left at the reverse view of the Great Seal of the United States. At the tip of the pyramid is a big eye—glaring straight at you.

Like that eye on his most common unit of currency, Uncle Sam is watching you—more closely than you think. Furthermore, he's keeping records of what he sees. We don't call these records files anymore, we call them data banks now, and they are computerized. Many Americans feel they involve gross violations of the privacy promised to us in laws and traditions of our country.

In all history the three countries which have collected the most information on their citizens have been Nazi Germany, communist Russia and the democratic United States. Of the three, the U.S. is the greatest of collectors and—because it has the best computers—the most efficient.

Last winter and spring, the Senate Subcommittee on Constitutional Rights, chaired by Sam J. Ervin Jr. (D.-N.C.), set out to determine how many data banks the government has, what's in them, how information gets there, who has access to it, how accurate the information is and if there is any realistic hope of correcting inaccuracies.

Everyone knew Uncle Sam had some data banks, but what the Ervin Subcommittee uncovered was a shocker. Fifty-four federal Departments, commissions and agencies reluctantly admitted having 858 data banks holding more than a billion and a quarter individual records and dossiers. There were strong suspicions on Capitol Hill that these and other agencies had many more data banks but wouldn't admit their existence.

In trying to get an accurate account of the banks, the Subcommittee encountered, in Sen. Ervin's words, "disdain," "evasion," "delay," "inadequate and cavalier responses," "resentment," "arrogance." Getting the information, furthermore, "was like pulling teeth."

Early in the Subcommittee's work it became obvious that the number of federal data banks is constantly increasing, that bigger and better computers are being bought and more information is poured into them daily. Every few months some eager government official comes up with still another plan to hook up several computers so that all of their information can be available to more agencies.

There is nothing necessarily wrong, of course, in computerizing record-keeping. It's a way of cutting costs. And more important, it enables government (and business, and others) to store oceans of essential information for lightning-quick recall —which has been invaluable in many areas, ranging from economic forecasting to saving lives.

But the abuse or potential abuse of such record-keeping causes concern. Manufacturers of computer hardware, while pointing with pride to the incalculable good their product can do, have also warned that vigilance is needed to ensure that it is not used harmfully.

The 858 federal data banks, when added to about 600 others operated by the 50 state governments and to more than 1,700 operated by municipalities, give the various levels of government immediate access to explicit information of both a public and private nature on virtually every American. In addition, hundreds of private companies operate the latest computers and collect, buy, sell and swap information on individuals at a land-office pace.

Much information in data banks, especially federal banks, by law should not be collected—much less maintained, kept up-to-date and, in tens of thousands of cases, disseminated among agencies and officials. (In some cases information is even passed to private individuals without legal justification.)

Sen Ervin, for his 20 years in the Senate a champion of privacy, says: "Information about each individual American is contained in literally hundreds of computerized files, both governmental and private. As each new data bank is created and each additional bit of personal information is recorded, that precious sphere of privacy in which an individual can do as he pleases without outside interference is slowly but surely whittled away."

The courtly, Bible-quoting Senator, who is not running for reelection this year, leaves behind him in Washington the further caution that untrammeled collection and distribution of data about citizens is "taking a toll which is yet unmeasured on constitutional principles of accountability, responsibility and limited government."

### "Implied" authority

A recent Senate survey turned up the fact that 17 per cent of federal data banks have no statutory authority whatsoever and 84 per cent have no explicit statutory authority. In other words, the government collects information it has no clear legal mandate to collect.

Many data banks exist because civil servants assert that justification for them is "implied" in various regulations or that data banks are "derivative" of authorized programs. The survey showed further that individuals are not allowed to review information stored on them in one third of the data banks, and that those on whom information is collected are ignorant of the fact 42 per cent of the time.

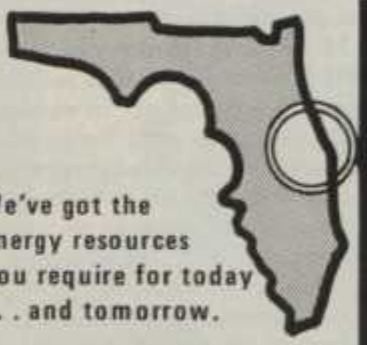
Questionable data bank activities run the gamut of government.

Does the Small Business Administration have enough justification for requiring loan applicants to submit detailed personal histories which include any information they have that would expedite character investigations? SBA may be trying to counter organized crime's takeover of legitimate businesses but, in the opinions of some Senators and applicants, the character checks go too far.

The Securities and Exchange Commission has 538,000 full data bank records on people who have come under its investigatory attentions although the great majority are known to be clear of suspicion. A dossier may exist on someone only because he rented an apartment from a company controlled by criminals—without knowing of his landlord's underworld ties. The Justice Department and SEC swap information of this nature.

Selective Service records are stamped "confidential" and youths who register are told their information will not be passed on to other government offices. But, the Depart-

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# A Lot of People Know Your Secrets *continued*

ments of State and Agriculture, SBA, the Immigration and Naturalization Service, the Social Security Administration, the Veterans Administration and Navy Intelligence—to name a few—have access to it.

The Tennessee Valley Authority keeps a data bank on all TVA customers who own electric appliances. The Air Force keeps one on religious preferences of uniformed personnel. One high-ranked Army general computerized his protocol list with the names of wives and children of everyone in his command.

Practically every check written by Americans on their bank accounts is microfilmed and noted in a data bank. So are money orders and drafts. Under the misnamed Bank Secrecy Act, only checks for $100 or more must be filmed but it's easier for banks to go ahead and microfilm all of them. Banks don't want to be looked upon as repositories of information that the Secretary of the Treasury may want, but the law says they must be.

Is an income tax return a deep secret shared by the taxpayer and the Internal Revenue Service? Hardly. Thousands of returns are scrutinized by other government agencies and by Congressional committees. [See "How Private Is Your Tax Return?" NATION'S BUSINESS, December, 1973.] And the Watergate scandal showed the White House trying to obtain printouts from IRS data bank computers in order to use the information for political purposes. President Ford, however, has promised action to "tighten up" on the accessibility of tax returns.

### Agriculture's cropper

Until the Domestic Council Committee on the Right of Privacy, a comparatively new group headed by Mr. Ford when he was Vice President (and now to be headed by Vice President-designate Nelson Rockefeller), demanded changes last winter, the Agriculture Department could immediately get any information it wanted from any farmer's or cattleman's tax return. Now, Agriculture can still get some information from specifically requested returns, but not on a routine basis.

The Committee on the Right of Privacy also played a leading role last summer in blocking establishment of a multicomputer data bank called FEDNET. The computer tie-in would have included data banks in several federal Departments and made vast personal information readily available through scores of terminals to a tremendous variety of federal employees. Douglas W. Metz, acting executive director of the Committee, warns that some other tie-in of federal computers is always a possibility, under a different name than FEDNET.

A federal data bank holds the names and addresses of all adoptive parents. Another holds the names of children of migrant workers. Still another, presumably for secretarial convenience, lists 15,000 people whom former President Richard M. Nixon called by their first names. Coin and gun collectors are described in two other data banks.

One bizarre information-gathering practice was halted after it was disclosed by Sen. Ervin's Subcommittee. A U.S. Postal Service data bank held information on postal workers suspected of thievery, and when such employees went to the bathroom in a postal installation in Washington, government agents would man peepholes in the wall to see if the suspects were opening stolen mail.

### A glass House?

During the Watergate scandal, convicted Presidential Assistant John D. Ehrlichman railed against members of Congress who took a sociable drink. How did he know who drank and who didn't? He called the FBI or one of several other agencies with data banks which had such information.

The government is not the only culprit.

A major university recently supplied data bank financial information on one of its students to the man's landlord, who in turn immediately billed the student for much higher rent than he had been paying.

A Princeton, N.J., woman was denied automobile insurance because a data bank operated by an insurance company included the information that she was living with a man she had not married. The information

was correct, but "What," she asked, "has that to do with insurance?"

Throughout Washington there is little argument against organizations such as the FBI having in-depth records on people with criminal pasts or suspected of being security risks. But unfortunately, these records include mistakes and much out-of-date information.

An ex-Marine from Illinois was plagued for years with mistaken information in a computer operated by the FBI's National Crime Information Center. He was jailed several times as a deserter although he was not guilty.

Error in a Defense Department data bank caused similar woes for a former soldier from Iowa.

A Massachusetts man served prison time for a crime he committed. He got a full pardon, moved 1,000 miles away to start a new life and entered a community college. Soon, he was kicked out because of his past. A data bank did not have the information that he had been pardoned.

A District of Columbia woman had a part-time government job but when she tried to get full-time work with the Air Force she lost her part-time job. A data bank said she had a criminal record. Two years later, she finally managed to prove the criminal record was her husband's, not hers.

Such goings-on have led to a rare event in Washington—wholehearted agreement on an issue by organizations on both ends of the political spectrum. Conservatives and liberals are in accord in saying the right to privacy of too many Americans is invaded unnecessarily and in many cases in violation of laws.

Says Sen. Ervin: "I continue to be impressed by the large swell of support for [privacy] measures among people of different persuasions. It has been intuitively observed that politics makes for strange bedfellows. I believe it to be apparent that the nearly universal concern for the protection of the right of privacy, one of the most basic and fundamental American constitutional values, has made for several cohesive alliances that many observers would have thought to be nearly impossible."

Douglass Lea, who heads an Amer-


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# A Lot of People Know Your Secrets *continued*

ican Civil Liberties Union project to study invasion of privacy, reports ACLU is "getting funds and support from people and companies that never helped us before, because we are all in this privacy fight together."

The federal government, in particular, "has a mania" for information-collecting which is an invasion of privacy, he says, adding that the government has no legal right to much of the information and that much of what it has is incorrect. He emphasizes, however, that "no one at the ACLU wants to deprive the government of information it legitimately needs for protecting the citizenry."

Senators and Representatives showing great concern over the privacy issue come from both parties and have all shades of political opinion. Such Senators, for example, include Barry Goldwater and George McGovern.

### Sometimes you win

There have been a number of victories in the battle to defend privacy.

In the late 1960s, a National Data Center—"Big Brother," it was called at the time—was proposed. Critics charged the Center would contain master files on every American and this information would be easy for thousands of government officials to get via hundreds of computer terminals. A campaign led by Senators, Representatives and various public and private organizations shamed the Johnson Administration into abandoning the idea.

Then, last spring, FEDNET—which was nothing more than a junior grade National Data Center—was blocked.

The Fair Credit Reporting Act of 1970—designed to promote accuracy of information on individuals' creditworthiness and to limit dissemination of such information—is considered a milestone.

Data bank information is no longer used by political leaders in Washington and in other federal offices to force federal employees to donate to political parties and charities.

Military surveillance of civilians, precipitated by race riots and anti-Viet Nam War activism, was stopped several years ago, again by bringing the pressure of public sentiment to bear rather than by passing laws. The Army was embarrassed into desisting after revelation that it was sending observers to Parent-Teacher Association meetings, public lectures, and civic club and political gatherings.

Just over a year ago, the IRS stopped keeping data bank information on individuals associated with various extreme right or left politicians, or with civil rights organizations. At the time, 8,000 individuals and 3,000 organizations were under IRS scrutiny and often their activities determined if their income tax returns would, or would not, be audited.

The Department of Health, Education and Welfare claims it has abolished its blacklist of scientists and advisers which once kept some of the best-informed experts off government research and other projects. The list included names of people judged to be antagonistic to the Nixon Administration.

There has been a distinct slowdown in federal and state governments' usage of Social Security numbers as "universal identifiers." Some Congressional leaders feel it would be too easy for unauthorized persons to extract personal information from computers if all they needed were readily available Social Security numbers.

### Sometimes you lose

Despite obvious progress in helping citizens to live in more privacy, there have been many setbacks.

Six times, federal employee privacy legislation has been passed by the Senate; but it has not yet passed the House of Representatives. Other bills that would have regulated data banks have failed in passage. (Introduced but not passed so far in this session of Congress are 140 separate bills in this area).

The Social Security Administration still occasionally suspends its rules of confidentiality although this practice has been under attack many times.

Several states can still sell as mailing lists the names of people granted drivers' licenses.

The Constitution does not specifically mention privacy as a right of citizens, but it remains one of those rights implicit in constitutional government. Amendments relating to privacy are the First, Third, Fourth, Fifth, Ninth and Fourteenth.

In the early days of the Republic, privacy was taken for granted. The "right to be let alone," as the late Supreme Court Justice Louis D. Brandeis called it (it was, he said, "the right most valued by civilized men") usually was observed. This held generally true for more than 100 years. Then, record-keeping increased as the population increased and as life became more complicated.

In the past 25 years, with the computer more and more replacing the filing cabinet, various levels of government have indeed developed the "mania" for personal information that ACLU's Douglass Lea cites.

In 1950, the federal government had two computers. Today, it has more than 7,000 and new ones are added almost weekly. Eighty-five per cent of all federal records have been inserted in computers, often using systems designed by former National Aeronautics and Space Administration employees who were reassigned after the height of the space program.

Other technologies that have contributed to the vast, self-perpetuating game of privacy invasion have centered on the lie detector, wiretapping and other eavesdropping equipment, photographic equipment, fingerprinting, recording devices and various communications systems.

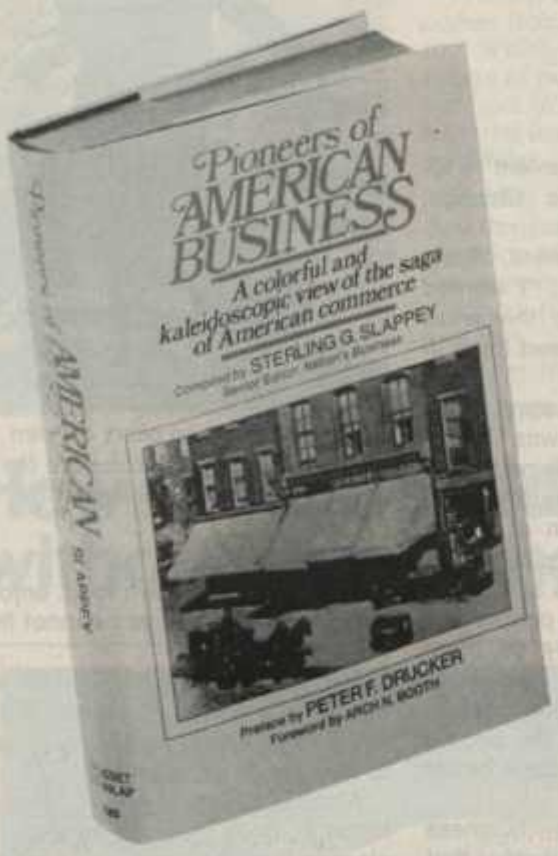
Great minds have cogitated over excessive record-keeping and the dangers inherent in it. Few quotations on the subject are more appropriate than this one:

"As every man goes through life, he fills in a number of forms for the record, each containing a number of questions. There are thus hundreds of little threads radiating from each man, millions of threads in all. If these threads were suddenly to become visible, people would lose all ability to move."

Who said that? Sounds like an American talking doesn't it? But no, the Russian writer, Alexander Solzhenitsyn, wrote that in his great work on persecution and privacy, "The Cancer Ward."

—STERLING G. SLAPPEY

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# PANORAMA OF THE NATION'S BUSINESS

By VERNON LOUVIERE
Associate Editor

## Bigger Things for the Small Towns

The trick to bringing the tangible benefits of outside industry into a small town is to focus on the community's existing intangible benefits, according to business executive Robert W. Bunke. The tangible benefits, he says, may then follow on their own.

Mr. Bunke, president of Cencom, Inc., says the "miracle of small town development" will be achieved when townspeople promote their community first of all as a "service center" providing a wholesome way of life and a scenic environment.

Mr. Bunke is a dedicated supporter of the small American town. And he puts his money where his mouth is.

Cencom is a holding company which has eight small independent telephone companies in the Midwest, Alaska and Canada. Also an engineering firm in Wisconsin and a cable TV company in Minnesota.

When Cencom was formed in 1969 it would have been convenient to locate its headquarters in Chicago, Minneapolis or Milwaukee.

Instead, it picked Rushford, Minn., because, Mr. Bunke says, "I wanted a company dedicated to the small town way of life to be based itself in a small town."

There is a paradox, he says, in efforts to increase small towns' industrial development. He explains:

"Most people concentrate on the tangibles to the exclusion of everything else: They want more factories, more jobs, bigger payrolls and a bigger tax base. What these people forget—and the reason they so often fail—is that the hard-cash aspect . . . is a result of the intangible ideas in the hearts and minds of the people who wanted their town to be a better place to live and work."

In frequent talks to business groups, Mr. Bunke makes it clear that in hailing the quality of life the small town offers he is not ignoring the role of the dollar. As he told one group: "You cannot run a business long without making a profit—nor can you remain in a small town long, enjoying its scenic beauty, if you cannot find a job there."



*Robert Bunke, who pilots his own plane, believes intangibles are the key to small town development.*

The intangibles that make such tangibles possible, he feels, are not limited to those involving physical and social environment.

Also, he says, there is "the customer's need for a service that pleases him, the employee's need for a job that enables him to fulfill his potential as a human being, and the investor's need for a secure feeling about the money he has risked in your business." •

## Making Friends Through a Talkfest

When businessmen in Des Plaines, Ill., decided to put on a "Let's Talk Friendship Festival" last spring they got 15,000 listeners.

Purpose of the two-day affair was to acquaint Des Plaines residents with the role of business in the community. More important, it was also a way for business to counteract any tarnishing of its image.

The festival was regarded as a resounding success by firms taking part and residents who attended.

"We have demonstrated that the people in this community are not apathetic about business—they want to know what we are doing and why," explains the festival's general chairman, W.A. Ninnis, vice president of DeSoto, Inc., a home furnishings manufacturer.

"The opportunity for business leaders and members of the community to talk with each other has made an important contribution to a better understanding in Des Plaines than we have ever had before."

Sparked by the Des Plaines Chamber of Commerce and Industry, 52 firms put up $25,000 and donated the services of some of their top executives, who manned exhibition booths and answered questions.

"We think this is a new and very unusual move on the part of industry in relating to the community and getting feedback from it," says H.A. Harty, director of communications for Universal Oil Products Co., one of the major sponsors.

A highlight was a "Let's Talk" communications center in which high school students—5,000 attended the festival—were encouraged to use telephones and ask questions. Questions—largely on corporate profits and industry's social responsibilities—and the answers were published in the local newspapers.

According to Mr. Ninnis, a "typical observation" from residents who came to the festival was: "We will be able to appreciate what industry is doing here more in the years to come."

Another festival is planned for 1976 and will carry the theme of a "bicentennial get-together."

The 52 firms were asked if they would participate again. Only one declined. •

*continued on page 41*

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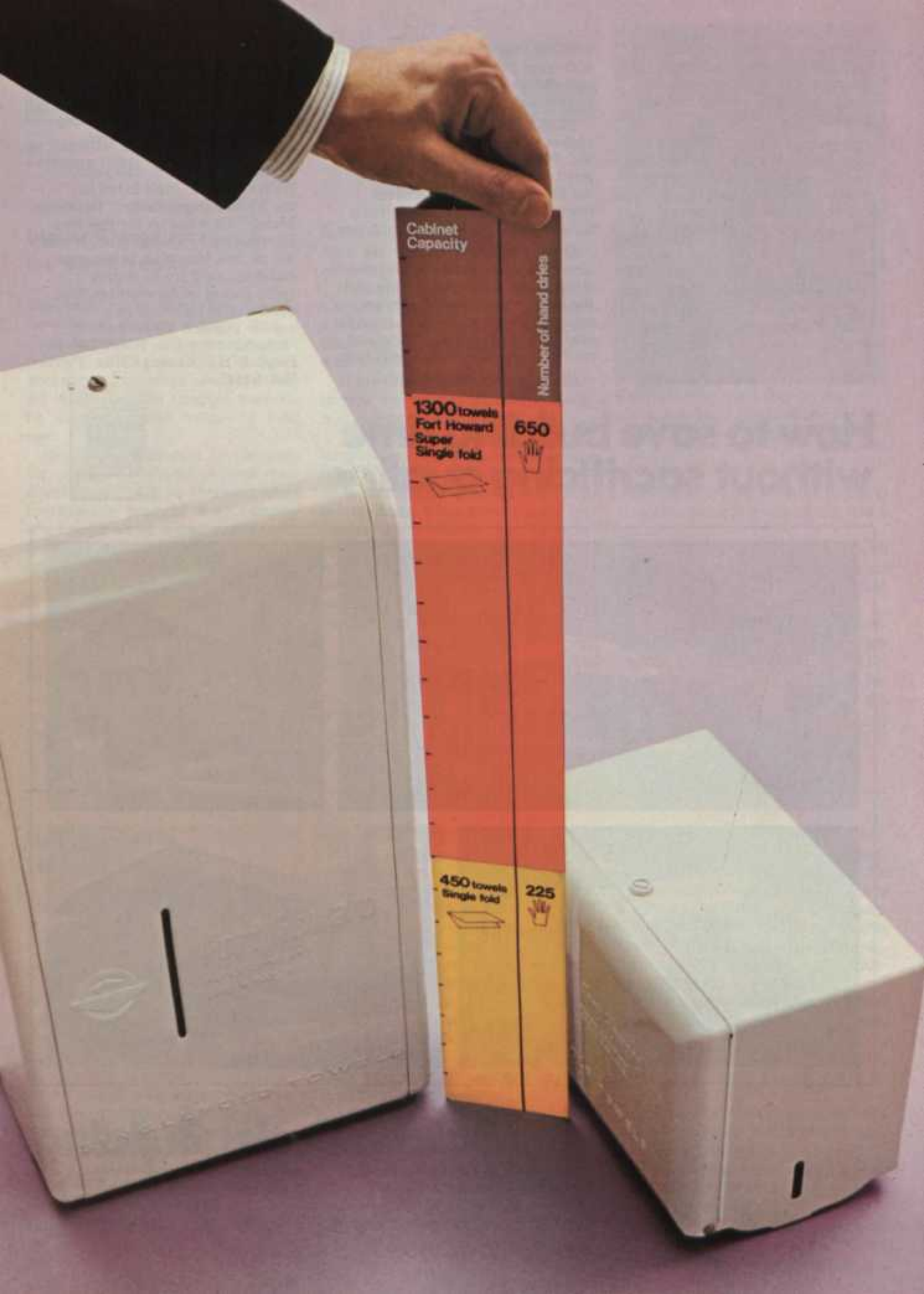


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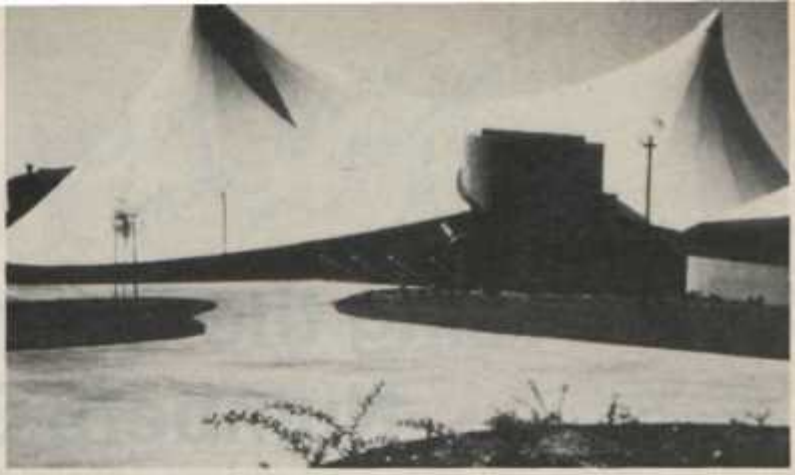

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 *continued from page 36*

## A College Learns From Industry



*Construction of "supertents" such as this one has helped small La Verne College near Los Angeles solve the problem of skyrocketing building costs.*

La Verne College looked over its facilities six years ago and decided it needed a new gym, a new drama center, a creative arts building and—especially—a student union.

Putting up these buildings with conventional brick and mortar would have cost from $6 million to $10 million. The small religious school 30 miles east of Los Angeles had no such funds.

So La Verne turned to private industry—not for large sums of money, as many colleges would have in its situation, but for know-how.

The Ford Foundation's Educational Facilities Laboratories extended a $20,000 grant. With that as a start, the school scheduled a three-day seminar to see how it could lick its building problems.

"We invited some of the most innovative people in American industry, representatives from such corporations as Du Pont, U.S. Steel, Monsanto, Standard Oil, Owens-Corning Fiberglas and others," recalls La Verne President Leland Newcomer in an interview with *Du Pont Magazine*.

From this meeting came a decision to hire The Shaver Partnership, an architectural and engineering firm which has pioneered in developing membrane structures. Shaver designed for La Verne what the students have tagged "supertents" and what some architects describe as "encapsulated space."

Two structures with plastic-coated fabric roofs rising from bases of contoured earth and concrete block were built. They resemble pavilions at Expo '74 in Spokane, Wash.

The entire construction project cost less than $3 million. Tests indicate a 20-year life expectancy for the roofs.

Among other things, the buildings house a 215-seat theater, a field house with basketball court and portable seating for 900 spectators, a student government center and the campus radio station.

According to Dr. Newcomer, La Verne has balanced its budget 11 years in a row. But it has had to rely on outside gifts.

"We want to make this reliance unnecessary, by creating a management system and resource center from which income from services rendered will equal operating expenses," Dr. Newcomer says.

"In the meantime, we must find ways to get what we need at prices we can afford. This applies particularly to new buildings."

La Verne is off to a good start. •

## Moving Without Getting Shook Up

Moving across town, across country or across the sea can be a traumatic experience for some of the 42 million Americans who pull up stakes each year to make new homes elsewhere.

But proper planning and a sympathetic mover can ease some of the emotional and psychological sting, according to Bette Malone, moving consultant for United Van Lines.

Working with a staff of 14, Miss Malone is prepared to answer virtually any question that comes up—"Do you need a visa to move to Italy?" "Should I move my freezer full or empty?" "What's the name of the gas company in Peoria?"

Additionally, United Van Lines, headquartered in Fenton, Mo., has installed a "hotline" which customers can call free from anywhere in the country. It handled some 20,000 calls last year.

Potential United customers not only are thoroughly briefed on how to face up to the problem of moving but are offered numerous tips on what to expect in their new location.

If a family is moving, it will be informed on taxes in its new locale, laws affecting pets, the nature of the economy, transportation facilities, schools, hospitals, recreation and a host of other things.

"Currently, we have some 10,000 cities on file and we continue to add, update and change on a daily basis," says Miss Malone. "We also have extensive information on numerous foreign countries."

A 32-page "Pre-Planned Moving Guide" is offered United customers. Providing a step-by-step checklist designed to take the misery out of moving, it suggests everything from draining the power mower to having the family doctor recommend a colleague in the new locale.

"Our biggest problem is to get people to plan ahead," Miss Malone explains. "We appreciate that moving can be one of the most difficult times a family will face."

Miss Malone and her staff take all questions in stride.

One day a "hotline" call came in from a distraught woman.

"I'm pregnant and the delivery is late," she said.

"You or the furniture?" one of Miss Malone's assistants asked.

It turned out to be the furniture, which arrived in time for the woman to get to the hospital for the other delivery. •

# Losing the Unemployment Numbers Game

## Pity the cities when the Bureau of Labor Statistics changes the rules

Businessmen in many of the nation's largest cities are growing more and more edgy about steady increases in unemployment rates for their metropolitan areas.

However, if they take a close look, they will often find these ominous figures are part of what some experts claim is a myth manufactured by the Bureau of Labor Statistics.

The experts say the myth was launched at the beginning of this year when BLS quietly changed the method of computing state and local unemployment.

Although you can't get BLS to spell the new system out this simply, the broad concept seems to be increased emphasis on the total labor force of a specific community—employed as well as unemployed. Where the worker lives is where he becomes a statistic—whether employed or unemployed. Under the old system, he became a statistic where he toiled or became unemployed.

As yet, the new system has had little discernible effect on the percentage of joblessness nationally. But it has sent unemployment rates soaring in a number of major cities.

San Diego, for instance, had an average UR of an even 5 per cent for 1973. But by May of this year, the rate had zoomed to 9.3 per cent. Comparably, the Los Angeles-Long Beach rate went from 4.7 per cent to 6.7 per cent, and San Francisco-Oakland from 5 per cent to 7.7.

California cities were not the only ones zapped by the BLS' statistical



twister. Miami's unemployment rate rose from an average 4 per cent in 1973 to almost 5 per cent in May; Atlanta from 3.1 per cent to 4.2 per cent; Indianapolis from 3.4 per cent to 5.5 per cent; Cleveland from 3.1 per cent to 5.1 per cent; Cincinnati from 3.5 per cent to 5.2 per cent; Pittsburgh from 4.6 per cent to 5.7 per cent and Philadelphia from 5.4 per cent to 6.3 per cent.

In most cases, the increases resulted from people being counted as unemployed in these cities under the new "place of residence" method who were counted elsewhere under the old "place of work" system. San Diego had to count 58,000 people as without jobs in May as against 23,900 a year earlier when its unemployment rate stood at 4.6 per cent. And Los Angeles counted 212,800 as jobless the same month compared with less than 150,000 in May, 1973.

For BLS' computation purposes, some metropolitan "labor areas" have been gerrymandered (while others have stayed the same). As a result, in some cities the UR soared even though the number of unemployed counted went down.

New York's 1973 average rate was 4.7 per cent based on an average 257,800 jobless. But its May, 1974, rate shot up to 6.6 per cent despite the fact that only 248,400 were counted as unemployed. In fact, New York—with Nassau County on Long Island no longer included in its labor area—was classified as an area of substantial unemployment this summer for the first time since that classification came into use in 1955.

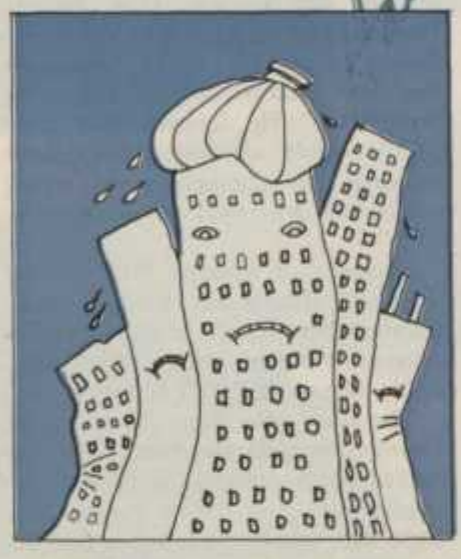
### Figures of fear

The psychological impact of these statistical increases on local economies has undoubtedly been formidable. As economist Milton Friedman has observed: "Few figures are watched with more fear and trembling than those reported each month on the percentage of the labor force unemployed."

Past experience shows that sustained high unemployment rates make local bankers skittish about lending money. Local merchants reduce inventories and sales forces. In short, local economies can fast sink into a malaise if their unemployment rates keep climbing as they have in so many metropolitan areas this year.

Moreover, the national economy is

really a mirror of the aggregate of local economies up and down the land. If the mirror develops too many cloudy spots, as it has in recent months, the national economic picture is bound to get more gloomy, too. Indeed, the new method of com-



puting local unemployment rates may already have had serious national repercussions.

The revision of the awesome UR applies to 30 major labor areas—and dozens of smaller ones—in 19 states which BLS says contain some 75 per cent of *all* the unemployed.

Boston provides what a BLS official calls "the most dramatic example" of how the new methodology works. Under the old method, the Boston labor area's unemployment rate in December, 1973, was 5.9 per cent. Using the new system, the rate would have been 7.4 per cent.

According to BLS, the place of work concept formerly used in Massachusetts and most other states deflated unemployment in Boston and inflated it in outlying labor areas.

Brockton, south of Boston, was tagged with an 8.9 per cent UR last December under the old method but under the new it would have been 7.3 per cent. And Lowell, to the north, had a 9.7 per cent UR the same month that would have been 7.2 per cent under the new procedure.

The place of residence system which BLS has now forced on the states has been used for years in computing the national unemployment rate, which is primarily based on a survey of 50,000 rotating households. Since BLS still uses this system in toting up the national UR, it has not been subject to the same exponential increases as local rates. For one thing, it embraces the whole country and is not affected by gerrymandering as are many labor areas.

On the surface, it may seem plausible to have all the states using the same methodology as BLS. Certainly, the new system provides a statistical boon for communities like Brockton and Lowell, black-eyed for years with high unemployment rates.

The fallacy in this is that a high UR in Boston quite naturally attracts much more attention than it did in Brockton and Lowell. The same visibility principle applies, of course, in other big cities whose UR's have been sent into orbit by the new system.

### Out with the old

There has long been criticism that computation methodology has grossly exaggerated UR's, both locally and nationally.

"Unemployment," says Dr. Friedman, one of the critics, "is mostly a brief period between jobs—or between school or housework and a job."

Ralph A. Schepens of Cleveland, president of the National Employment Association and proprietor of a large private placement agency, agrees.

"The government has never adequately defined unemployment for statistical purposes," he says. "Economists knew there were many inflationary factors in the old method of computing the unemployment rate. And we now know that not all of these were expunged from the new system."

BLS tacitly confessed the validity of at least some criticisms of the old method when it structured the new. It eliminated second jobs held by moonlighting teachers, firemen and others which somehow got tangled up in the old UR and accounted for 5 per cent of the total. The new method also excludes jobs held by youngsters under 16 who quit baby-sitting or give up newspaper delivery routes. By BLS' own admission, these kid jobs had been frequently included in the old computation.

Even these desirable adjustments have not, however, helped local unemployment rates.

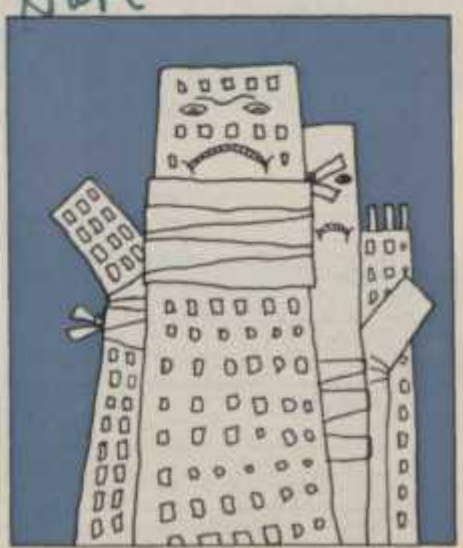
And BLS could hardly have picked a worse time to send big city joblessness percentages whamming toward the moon.

When the new method went into effect on Jan. 1 the energy crisis syndrome was already having an adverse effect on the economy. Yet BLS, a division of the Labor Department, chose that unsteady moment to further inflate local unemployment rates.

Why? Well, for one thing the change had been "on stream" for some time. And once something gets on stream in the federal bureaucracy it is likely to continue moving inexorably onward, come what may.

BLS Commissioner Julius Shiskin says the official rationale behind the change was twofold: (1) BLS felt the time had come for all states to use the same method that BLS used, and (2) BLS was required to make the change by the Comprehensive Employment and Training Act.

An official in another part of the Labor Department disputes Mr. Shiskin on the latter. He says the Act did



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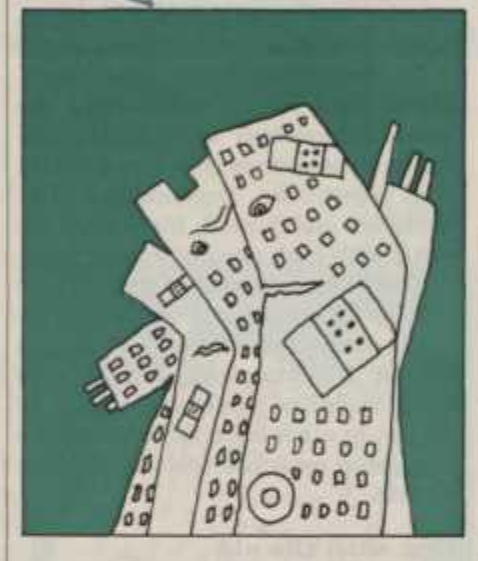
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# The Unemployment Numbers Game *continued*

not "require" any such thing. Be that as it may, CETA has assuredly played a major role in making the recent high unemployment rates more palatable to the states.

To qualify for CETA funds for public service employment, a city must show a 6.5 per cent UR three months running. Under the old computation method, many cities could not qualify. But the new method is jacking up their UR's so they can cash in on the big CETA pizza—to fund all portions of CETA in fiscal year 1975, the Administration is asking $2 billion.



### States, too

Not only are many cities' UR's rising because of the new BLS rules, but so are those of many of the 19 states in which the cities are located. A state may not be affected by the change from place of work to place of residence computation—after all, both places generally are in the same state for the same jobless worker—but BLS now requires states to report as unemployed many whom the states in the past would not have counted in that category. These more than offset the moonlighters and youngsters no longer counted.

Changes in economic conditions also enter into the picture, but BLS' computation shift can be blamed for most of the UR jump in California, for example. In May, California's UR was listed at 7.2 per cent—against an average of 4.7 per cent in 1973, when the former rules were in effect.

Most cities and states that have had their UR's hiked remain discreetly silent—in spite of the obviously depressing effect on local business. Apparently, there is nothing like the promise of federal largesse to prompt a swallowing of civic pride.

Back in January, California complained the loudest. Gov. Ronald Reagan fired off a letter to the White House asking for a moratorium on the new method, which he called "contrived." He foresaw that most people would attribute "the drastic increase [in unemployment rates] solely to a depressed economic situation."

However, a ranking BLS official claims California has "made no complaint since then" because it discovered it would get a really mammoth slice of that CETA pie.

The California State Employment Development Department, allowing that no recent squawk has been made, implies the real reason is that the state has simply accepted a fait accompli in the new methodology.

### What goes on here?

Whatever the reason for California's recent silence, a few waltzes around the subject with top BLS officials should be sufficient to convince even the Bureau's most ardent admirers that Gov. Reagan was on target when he branded the new method "contrived."

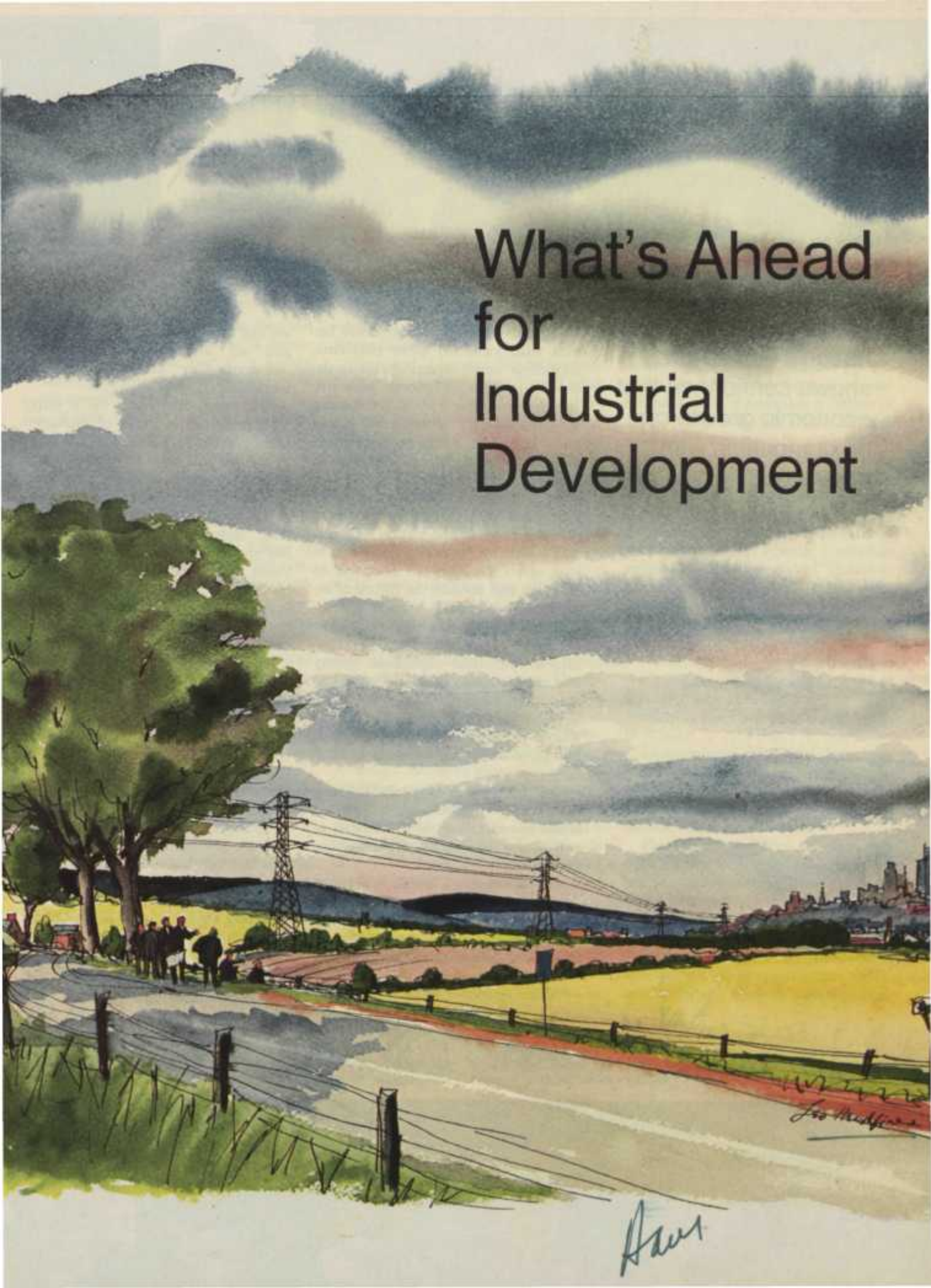
The statistical sleight of hand employed by BLS has earmarks of a shell game. And, sad to say, not even the Bureau understands what it has wrought.

Commissioner Shiskin, in a memorandum to Congress last spring, said the old method "tended to overstate unemployment rates for most suburban areas" and to "understate" them for central cities.

Yet, during a recent interview a high-ranking BLS official stated emphatically that the effect was "just the opposite."

With this kind of confusion prevailing at the federal level, it is small wonder that cities have been thrown into a tizzy by the switch in computing unemployment rates.

—WILLIAM J. GILL


What's Ahead
for
Industrial
Development



Gov. Jack Williams
*Arizona*

# The "Good Life" Begins With Jobs

## A survey of the nation's Governors shows confidence that economic growth can be compatible with other needs

"Improving the quality of life begins with jobs. All other problems, including environmental standards, can be solved by people who are working and have a paycheck coming in. Consequently, without any better answers, I am going to encourage growth of good, clean industry in Arizona."

In a nutshell, the comments of Gov. Jack Williams reflect the views of a majority of the nation's Governors asked by NATION'S BUSINESS to look down the road the next five to 10 years and predict the future of industrial development in their states.

Almost without exception, the states' chief executives opt for continued industrial expansion. Many cite specific steps they have taken to encourage this.

What the Governors face is this:

- How to keep an economy expanding to meet rising demands of citizens.
- How to provide the jobs to keep the young people—on whom all states spend hundreds of millions of dollars for education—from leaving home.
- How to achieve a balance between the "good life" and an economy that must support it.

Almost to a man, the Governors feel these are challenges they can live with.

"There is no rational reason why we can't have economic development and an attractive environment," comments Gov. Edwin Edwards of Louisiana.

"However, there will be a fairly high price tag in terms of increased taxes and product cost. Also, it seems to me, we will have to be realistic in setting our standards."

Most of the Governors are optimistic about industrial growth for their states. Many predict slower, but steady, gains over the next few years rather than any sudden, wild boom.

And all are convinced that most of their citizens favor planning that calls for growth in a sensible manner.

"The people of Kansas show a growing concern for the need to provide employment for their youth," says Gov. Robert B. Docking. "They are convinced that a balance can be reached in maintaining our quality of life and in providing the needed employment opportunities."

The Commerce Department predicts that by 1981, the gross national product will have reached $2.1 trillion and that there will be more than 100 million persons in the labor force.

If this state of affluence is to be achieved within the next seven years, it is obvious that there must be a vast addition to the industrial complex of the nation.

v. Meldrim Thomson Jr.
*w Hampshire*

Gov. Malcolm Wilson
*New York*

Gov. James E. Holshouser Jr.
*North Carolina*

Gov. Arthur A. Link
*North Dakota*

Gov. David Hall
*Oklahoma*

Gov. Milton J. Shapp
*Pennsylvania*





Gov. Reubin O'D. Askew *Florida* | Acting Gov. George R. Ariyoshi *Hawaii* | Gov. Cecil D. Andrus *Idaho* | Gov. Edwin Edwards *Louisiana* | Gov. Kenneth M. Curtis *Maine* | Gov. William G. Milliken *Michigan*

What realistically is down the road for industrial development is movement and growth, but in a highly selective manner as far as location is concerned.

For in almost all of the comments of the Governors responding to the NATION'S BUSINESS survey, that note comes through loud and clear. While each Governor wants more industry, it has to be compatible with the character of his state.

Thus, Gov. Reubin O'D. Askew of Florida says: "Although we will continue to *discourage* industrial growth that is not compatible with our unique environmental assets, our state is actively soliciting selective industrial development as a means of achieving a strong, balanced economy.

"The energy crisis revealed the vulnerability of our agriculture and tourist industries to national policies and national events."

While the "no growth" philosophy is of some concern to Governors, the majority believe their citizens want only the proper "balance."

As one chief executive struggling to build for the future, Gov. Meldrim Thomson Jr. of New Hampshire, puts it:

"Unreasonable environmental laws and regulations administered by big bureaucrats with little minds have stymied efforts to develop nuclear resources for energy and to get a refinery built."

Reasonable federal regulations are high on many Governors' lists of what is most needed for a bright future for industrial development. Many are strongly opposed to a federal land use policy, but some—particularly those who have already established state policies in this area—feel it wouldn't be all that bad.

Two views show the range of opinion on a national land use policy:

- "It would deprive our citizens of their private property and create a new concept in American politics; namely, an all-powerful, centralized federal government with 50 dying state appendages," says New Hampshire's Gov. Thomson.
- "Basic strong environmental and land use federal laws would be helpful," says North Dakota Gov. Arthur A. Link. "All of us must reassess our priorities in life if we are to properly control and conserve the use of our nonrenewable resources. The usual 5 to 10 per cent annual increase in energy use may not be a necessary mark of progress, but rather the road to self-destruction."

Gov. Winfield Dunn of Tennessee thinks there should be a clearly defined national growth policy.

"In other words, what are the overall national objectives for growth in the mid-Seventies? I feel that it's time, once again, to take stock of where we are and where we are going. And I believe the federal government should establish a policy of trying to identify the effects of their actions on economic growth. By the simple errors of omission or commission in not having an articulated policy, the federal government, de facto, is having a major impact on growth."

Almost every state has as part of its government an agency devoted to promoting the growth of industry. Many have established offices overseas to influence the flood of direct foreign investment pouring into the United States.

These agencies, closely attuned to the peculiar plant location needs of industry, are also cognizant of what industries the state feels would benefit it most.

State policies range from broad tax incentives and lower taxes, as in Michigan and New York, to Hawaii's planned "slowed growth" blueprint for the future.

For Hawaii, a mecca for many but with limited land resources, its population explosion has been a boon and a bane.

First to initiate a state land use plan, in 1961, Hawaii now hopes its slowed growth plan will result in a leveling off of its population curve, less of certain kinds of industry, con-



...ov. Philip W. Noel *...hode Island* | Gov. Richard F. Kneip *South Dakota* | Gov. Winfield Dunn *Tennessee* | Gov. Thomas P. Salmon *Vermont* | Gov. Mills E. Godwin Jr. *Virginia* | Gov. Patrick J. Lucey *Wisconsin*

solidation of some others and more of still other types.

Says George R. Ariyoshi, Hawaii's acting Governor: "We need to slow down the never-ending trend to industrial-efficiency-through-massiveness (no more Detroits) and seek to generate thousands of smaller business enterprises and industrial plants in new, ideal communities."

In Michigan, Gov. William G. Milliken says: "We have cut taxes on industry; we have modernized our corporation code and we have an aggressive economic development campaign. America runs on Detroit wheels, and Detroit and Michigan will provide the kind of wheels Americans want. The small-car conversion is the biggest industrial turnaround in peacetime history and it holds great promise for Michigan."

For New York, Gov. Malcolm Wilson ticks off some impressive statistics for industrial gain over the past 15 years—including openings or expansions of 9,548 plants. Last year, there were 132, creating 12,643 jobs with payrolls of $102 million, and capital investment was $359.8 million.

"We are optimistic for the future," says Gov. Wilson. "We have succeeded to a very large extent in turning around the misconception that New York is a 'high tax state' and have demonstrated our business tax structure is flexible and fair, being based solely on profit."

"In a state as compact as ours we have to be extra careful how we make use of our land," says Gov. Philip W. Noel of Rhode Island. He points out Rhode Island helped industrial development by taking unused state land and turning it into an industrial park.

Incentives have long been a way of life in securing industry for a state. But, to many, the energy crisis pointed up the need to further develop long-range, coordinated strategy.

North Carolina, Wisconsin, Vermont and other states have begun to draw up plans that fit into concepts of future land development, all with an eye toward achieving balance between industrial growth and protecting the environment.

In North Carolina, Gov. James E.


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**We work for your business.**

# The "Good Life" Begins With Jobs *continued*

Holshouser Jr. says work is now in progress on a state-wide blueprint covering "the things that will affect the economic viability of our state and its people in positive ways, including land use."

"We realize our future economic well-being will result from the growth of small-to-medium-size manufacturing operations spread evenly around our state," says Gov. Thomas P. Salmon of Vermont. Vermont's General Assembly, he notes, has already broadened state programs that encourage new plants to locate there and existing industries to expand.

Wisconsin's Gov. Patrick J. Lucey stresses that a bold, business tax reform and relief program has helped create optimism in his state about the future of its economic growth.

"We think that a state can be both progressive and pro-business," he comments.

### Coal to fuel growth

Gov. Milton J. Shapp of Pennsylvania believes "economic progress is inextricably entwined with energy," and since "Pennsylvania has tremendous coal resources, manufacturing will continue to expand."

Gov. David Hall of Oklahoma is one who points to "room to grow" as a big reason industrial development will continue for his state.

And Gov. Kenneth M. Curtis of Maine feels "the likelihood of offshore oil developments in the Gulf of Maine and Georges Bank area, and the probability that at least one or even two refineries will be built within the next five years," is a good reason to be optimistic both about future energy sources and industrial growth.

Asked what is needed to put industrial development in perspective, South Dakota's Gov. Richard F. Kneip says that if the federal government "would institute lending programs, available only to those rural areas or states that have experienced out-migration, it would be extremely helpful in population distribution that we so badly need."

Idaho's Gov. Cecil D. Andrus holds an optimistic view of the future, though admittedly "things change so rapidly; new crises arrive




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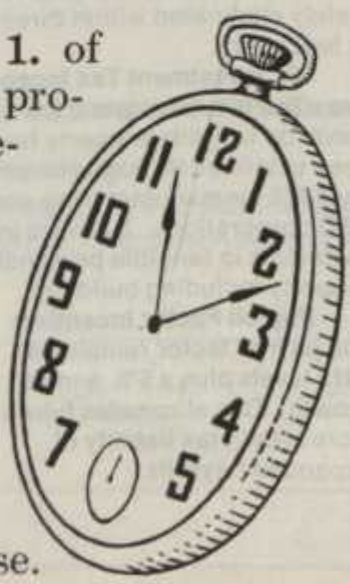
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*The Broward Industrial Board is a coalition of the Chambers of Commerce of Fort Lauderdale, Hollywood, Pompano Beach, Plantation, Miramar-Pembroke, Coral Springs, Margate, Hallandale, West Broward, Deerfield Beach, Davie, Lauderdale-by-the-Sea, Dania, also unincorporated areas and Port Everglades.*



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## "Good Life" Begins With Jobs *continued*

almost daily and any one of these crises could have an adverse impact on any type of development."

In Virginia, which has one of the most spectacular industrial development growth records, Gov. Mills E. Godwin Jr. believes that the quality of industry moving into his state within the next few years will be far more sophisticated than in the past. It will include, he believes, corporate headquarters, regional operational centers and trade associations.

One objective of Gov. Godwin is encouraging direct foreign investment in manufacturing. "The adoption of so-called protectionist laws at the federal level would affect the economic viability of Virginia," he says.

### The state of the islands

The Commonwealth of Puerto Rico and the Territory of Guam have special problems and needs. High on the priorities of Puerto Rico, says Esteban Davila, acting administrator of the Economic Development Administration, is upgrading the education and skills of its workers to make them productive in the more sophisticated industries. A massive program is under way to do this.

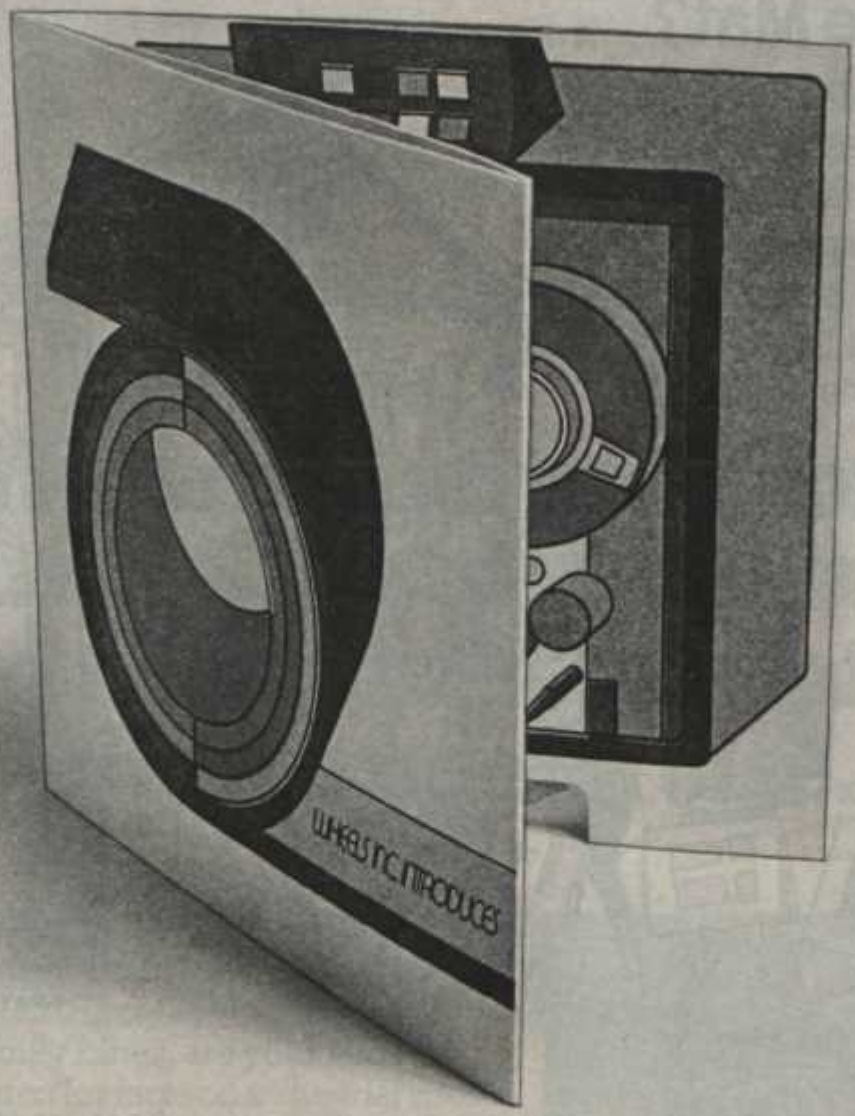
Gov. Carlos G. Camacho of Guam says his island had been hit hard by soaring costs for all imported materials and energy supplies. But when things become more settled, he adds, development will go forward in tourism, fishing, agriculture and light manufacturing.

For the chief executive of any state, current crises—energy, inflation and unemployment caused by noncontrollable factors such as materials shortages—can affect short-term decisions.

Over the long haul, however, most Governors are working on long-range plans they hope will produce the balance their citizens need to achieve a desired quality of life.

"What we do is create the conditions in which business and industry can thrive and expand, thereby creating jobs in the private sector," says Michigan's Gov. Milliken. "Neither a no growth policy nor an unregulated expansion is realistic if citizens are to be served properly by their state governments." END

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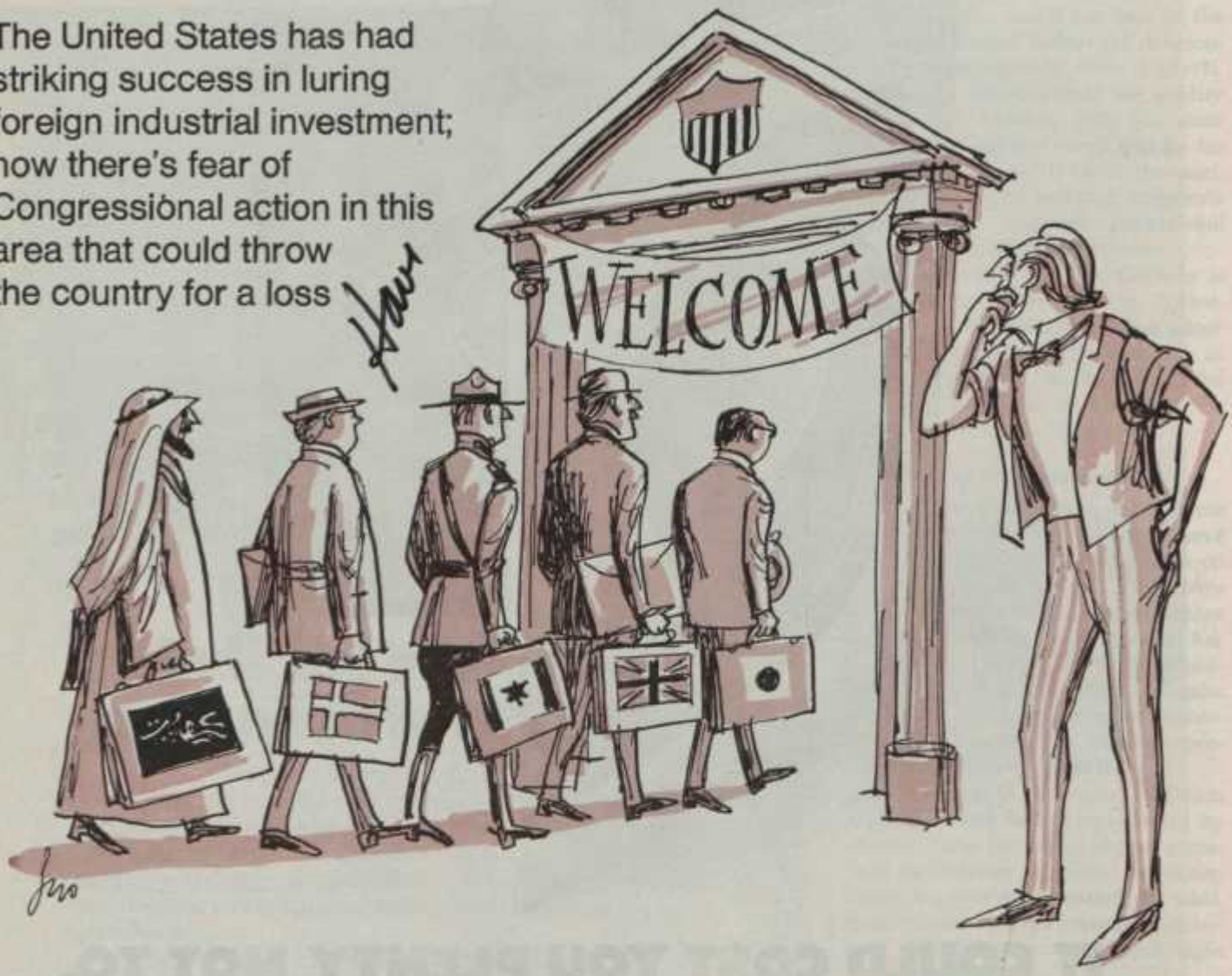
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# Will We Pull in the Welcome Mat?

**The United States has had striking success in luring foreign industrial investment; now there's fear of Congressional action in this area that could throw the country for a loss**




The Japanese have landed in force in Hawaii—not to mention setting up operations in California, Texas, Wisconsin and Florida.

The Germans are manufacturing in South Carolina, Indiana and Rhode Island, while the Swedes plan a vast industrial complex in Tidewater Virginia. And, in the wings, the Arab sheiks, their coffers overflowing with "petrodollars," are looking for American opportunities.

To states and cities—and the federal government—which have mounted a vast campaign over the past few years to attract direct foreign investment, its record rate here last year is proof of their success.

But against this effort to bring in new economic strength to localities, there now is an attitude in Congress of "wait a minute, let's take a look."

As a result, an in-depth government study of the impact of such foreign investment is scheduled.

Some Congressmen who have called for the study fear too much of the country's productive capacity and natural resources may be coming under foreign control.

On the other hand, it's feared that dampening enthusiasm for such investment might ultimately affect the nation's traditional "open door" policy.

The Commerce Department estimates that direct foreign investment in the United States during 1973 totaled $1.54 billion, twice the $773 million invested in 1971.

All direct foreign investment, by definition the establishment of a foreign plant or facility in the United States or purchase of 25 per cent or more of the voting stock of a U.S. corporation, came to $16 billion by the end of 1973, the Department says.

Some private research studies put foreign investment at a higher level, however. It's been 15 years since a detailed government investigation was made, and official figures since then have been based on samplings.

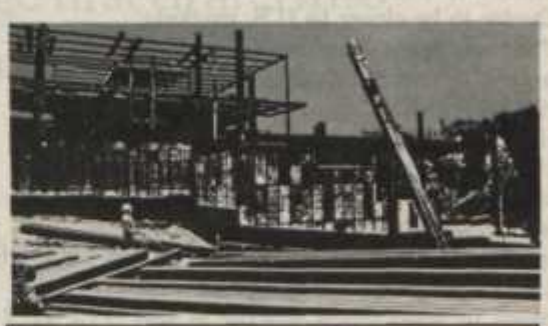
In a study just ordered by Congress, to be conducted over 18 months at a cost of $3 million, a

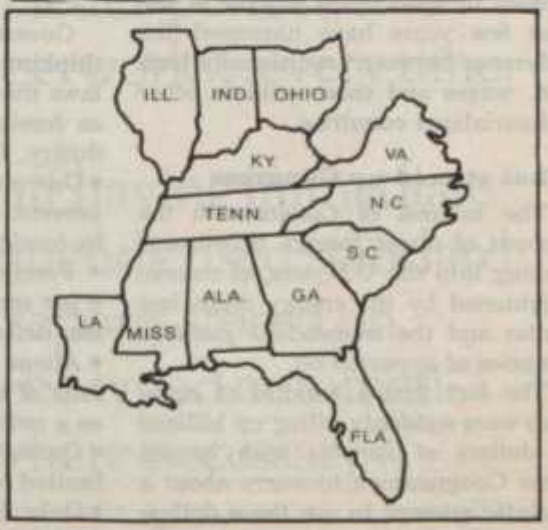
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# Will We Pull in the Welcome Mat? *continued*

principal goal will be determination of the exact extent and nature of the share of the U.S. economy held by foreigners—through direct investment or otherwise.

Whatever the size of direct foreign investment here, it's small compared to the $94 billion of direct American investment abroad. But to states and cities hungry to shore up economic bases, foreign money has been a major factor in industrial expansion in the past decade.

The big surge in direct foreign investment and buy-ins of American firms by foreigners is only partly the result of the campaign by American localities to bolster their economic base. Foreign industrialists tell you frankly these are some other reasons:

- Desire to be closer to U.S. markets.
- Fear of being blocked from U.S. markets by such things as shipping strikes, including longshoremen's disputes.
- Fear of emotional temporary measures that would block access to the market, such as tax surcharges or import quotas.
- Labor economics. Dramatic increases in wage rates abroad in the past few years have narrowed the difference between traditionally high U.S. wages and those paid in other industrialized countries.



ILLUSTRATIONS: LEO HERSCHFIELD

### What stirred up Congress

The interest of Congress in the amount of direct foreign investment coming into the U.S. was, of course, heightened by the energy crisis last winter and the tremendous jump in the price of imported oil.

The fact that a handful of countries were suddenly piling up billions of dollars of surplus cash caused some Congressmen to worry about a gigantic attempt to use these dollars to "buy up" industries vital to the nation's security.

Government officials scoff at such thinking. They point to a score of laws that would prevent this, as well as foreign domination of a U.S. industry. For example:

- Our antitrust laws can be used to prevent domination of any industry by foreign as well as U.S. firms.
- Foreigners can own no more than 6 per cent of the stock of any American defense supplier.
- Aliens can't own more than 25 per cent of some other businesses, such as a radio station.
- Coastal and fresh-water shipping is limited to U.S. corporations.
- Only U.S. citizens may obtain licenses to operate plants that use or produce atomic energy.

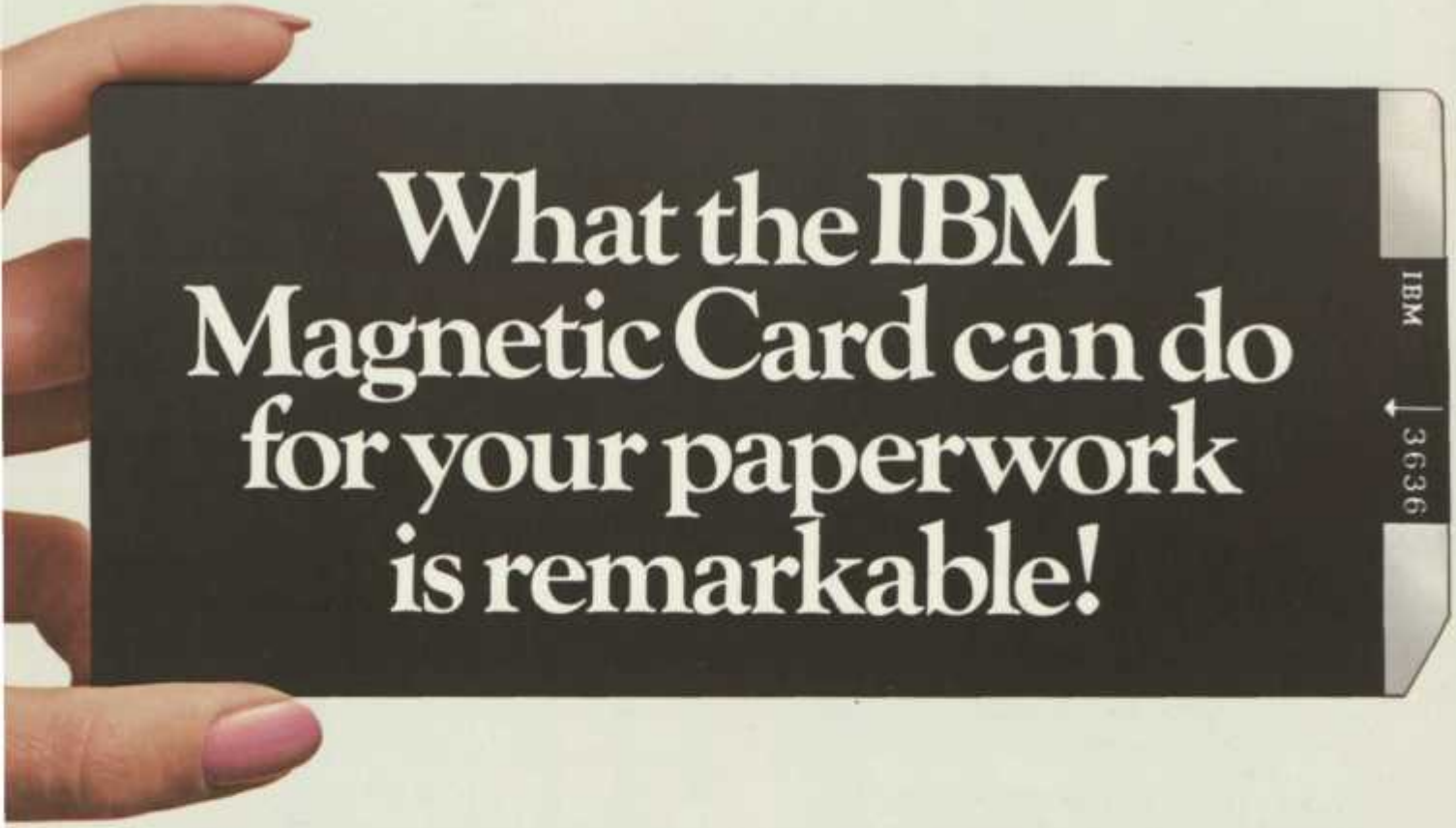
But many Congressmen do feel there is a danger.

Rep. Joseph Gaydos (D.-Pa.) mirrored some of that concern when he said in a speech: "Buy American once had a patriotic zing to it. Now it has a hollow one. Buy American is now the battle cry of foreign investors."

Rep. John Dent (D.-Pa.) has authored a tough bill that would limit foreign ownership of any U.S. corporation's voting stock to no more than 5 per cent.

He did this, explains an aide, mostly as a way to stir up discussion of a topic of seemingly increasing importance.

Rep. John Moss (D.-Calif.) has




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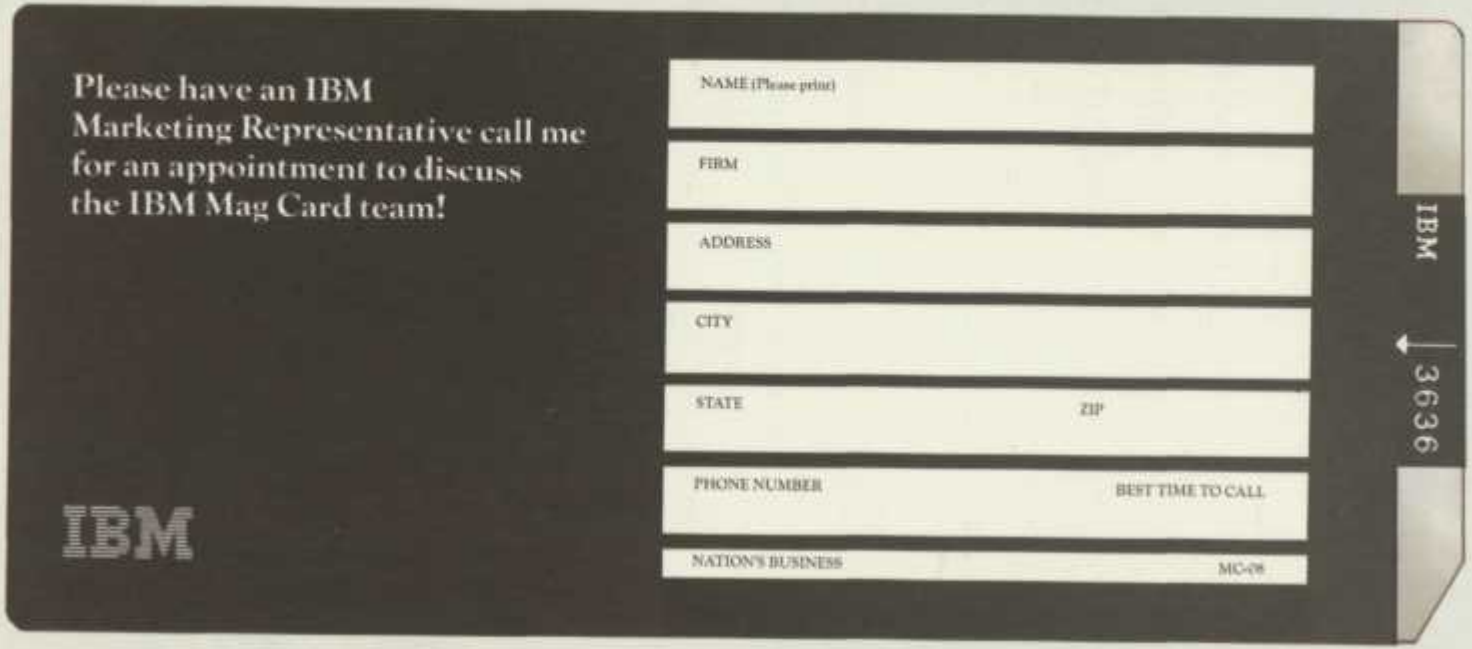


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# Will We Pull in the Welcome Mat? *continued*

introduced a bill which would limit foreign control of companies in certain fields, such as energy or defense.

### Commerce finds no threat

To counter such concerns, the Commerce Department made a study last year which, it said, turned up "no imminent or prospective threat of foreign domination or control of any significant critical section of our economy."

So far, the only evidence of increased Arab investment in the United States seems to be concentrated in real estate—land, hotels, apartment and office buildings.

One big purchase was an island 15 miles south of Charleston, S.C., by the Kuwait Investment Co. for $17.4 million in cash. The plan is to develop the island into a $100 million resort.

Japanese investors also, in recent years, have bought heavily into Hawaiian real estate and resort hotels.

American businessmen generally have believed that open foreign trade and investment has been good for all parties and is the best policy to follow.

It has been official government policy. Peter Flanigan, a former White House assistant for foreign economic policy, says closing the door on foreign investors would invite retaliation against U.S. corporations abroad and would not be in the best interest of the country.

"The United States stands to lose more than it might gain," Mr. Flanigan says. END

## WHY VOLVO CAME TO VIRGINIA

Why does a foreign company elect to build a plant in the United States?

Not the least of reasons are the dollar devaluations and more favorable exchange rates which can make such a venture here cheaper than it used to be.

But the primary reason is the same one that American firms cite in increasing their capital spending for new plants and equipment: To service their existing market and be prepared to expand production to meet growing demand.

That was why AB Volvo, Scandinavia's largest industrial firm, decided to build a $120 million auto assembly plant in Chesapeake, Va. Ground was broken in July for the facility, which will be capable of turning out 100,000 Volvo autos annually by the late 1970s. It will employ 3,500 to 4,000 workers, almost all Americans.

The factory, located near the port of Norfolk for ease of importing parts from Sweden, is well serviced by rail and will make the Swedish company the only foreign passenger automobile manufacturer in the United States.

"The major reason we built here," comments Bjorn Ahlstrom, 40-year-old president of Volvo of America Corp., "is that Volvo needs to expand its automobile production capacity. The decision was whether to put that extra capacity in Western Europe or in the United States.

"After a thorough study we decided to build in the United States. The major reason is that the United States is our largest market. We sell more cars here [60,000 in 1973] than we do in any other country, including Sweden. And, of course, the market potential is much greater than in Sweden."

Shipping costs, problems of getting shipping space and insuring an even supply of autos have plagued Volvo's operations in the U.S.

Hopefully, the new American plant will alleviate some of those problems.

Being closer to the market will help in other ways, Mr. Ahlstrom figures. "To modify details—like color and interiors—to come closer to North American consumer preferences will be easier in an American plant," he says.





Get the details in this latest study of 25 new plants

The fourteenth edition of *Cost Data on Industrial Buildings in Georgia* contains information on 25 recently constructed plants. There's a photograph of each building, along with specifications and detailed cost breakdowns. If you are concerned with locating new industrial plants, you'll find this latest study of construction costs in Georgia an interesting and useful reference. May we send you a copy? No cost or obligation.



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# Face-Lift for the Industrial Park

## The modern version may never have been gray, and it also isn't old . . . but it certainly ain't what it used to be



What could be called the granddaddy of the nation's industrial parks was started 183 years ago by Alexander Hamilton and a group of New York City businessmen, who formed the Society for Establishing Useful Manufactures.

Determined to lure industry to the new nation, the group bought land in what is now Paterson, N.J., to establish an industrial community. The area's natural resources, including an ample water supply, and its closeness to New York's markets and port enabled the community to grow into a major industrial center during the 1800s.

Even today, Paterson is an industrial city surrounded by suburban towns and linked to New York City and regional markets by good roads and rail lines.

It's surprising that the concept of the industrial park has been around that long, for most people think of it and its variations—the office park, distribution centers or research parks—as a recent development.

And they're right, in a way.

The modern industrial park, usually located out of the central city, but near railroads, highways and ideally an airport and deepwater port, has been a phenomenon that grew up after World War II.

And it has come a long way since then.

### A process of evolution

The early parks were built for distribution and light manufacturing. But it wasn't too long before business offices gravitated to the parks and, by a process of evolution, vending machines and coffee trucks gave way to lunchrooms, then restaurants. Later, motels would be built to put up visiting salesmen, and drugstores might open in the parks, followed by other shops and branch banks.

While lots of developments are solely office parks, research, manufacturing or distribution centers, the current trend is toward building parks for mixed use. Office buildings, light manufacturing plants, warehouses and many personal service facilities, ranging from golf courses to gourmet restaurants, are blended into parklike settings with the emphasis on fountains, pools, statuary and landscaping.

A good example of the mixed-use park expected to be the wave of the future is rising on 435 acres of rolling land in the Maryland hunt country. Hunt Valley Business Community is located 20 minutes north of Baltimore, on the beltway circling

# How Louisiana turned on GM's Guide Lamp Division

"We have received outstanding cooperation from all levels of Louisiana government."

Carl W. Dobos, General Manager
Guide Lamp Division
General Motors Corporation

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When the company selected a Monroe, Louisiana location because of its favorable labor and transportation situation, but had trouble securing an adequate supply of natural gas, the City itself stepped in and got the necessary gas. It also expedited the construction of the utilities the 800-worker plant would require.

The State set up special employee training programs and granted a ten-year property tax exemption on the building, machinery and equipment. Commerce and Industry provided continuous coordination with all State agencies involved.

We obviously put a lot of effort in this project, but even if your first name is not General Motors you can expect the same thorough and competent assistance from Louisiana State government. It's simply the way we do business.

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**LOUISIANA**

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# Face-Lift for the Industrial Park *continued*

the city and next to an expressway that runs north into Pennsylvania.

Baltimore Washington International Airport is south around the beltway, and Baltimore's busy deep-water port is accessible by good highways.

One of three parks owned by McCormick & Co., Inc., in the Baltimore area, Hunt Valley boasts three high-rise office buildings, a handsome inn and golf club and a list of corporate tenants that includes Exxon Co., U.S.A., International Paper Co., Westinghouse Electric Corp., and Jones & Laughlin Steel Corp.




ILLUSTRATIONS: LEO KERSHFIELD

### At home in "new towns"

Industrial parks also fit in nicely in the "new towns"—communities that blend industrial development and housing—that are springing up in less populated areas all around the country.

In Columbia, Md., between Baltimore and Washington, D.C., three industrial parks are already operating. A fourth is in the planning stage.

"Industrial parks are central to the Columbia idea," says Thomas W. Greene, manager of industrial land sales and leasing for The Howard Research and Development Corp., a joint venture of The Rouse Co. and Connecticut General Life Insurance Co.

A prime aim of new towns is to attract employers so residents can live and work in the same area. Now, seven years after Columbia got started, 6,000 people are employed in its industrial parks, which are tastefully blended into the town's adjoining village centers and housing areas. About 2,000 of the employees work at General Electric Co.'s Appliance Park-East, which occupies 1,100 acres of industrial space at Columbia.

Since a clean environment is a major aim of these new communities, industrial zoning in Columbia calls for only such activities as research and development, light manufacturing and assembly, warehousing and office work. An architectural committee reviews plant sites for such things as external elevations, site planning, landscaping, exterior lighting and signs.

And if the success of balancing growth and environment at Columbia isn't enough—33,000 now call the town home—the tax situation in Howard County, where Columbia is located, is icing on the cake.

In 1967, the year Columbia started, the county tax rate was $2.55 per $100 of assessed value. Today, despite Columbia's development, the rate has declined to $2.50.

According to Clinton B. Frank, executive vice president of the National Association of Industrial Parks, the average size of a park is 312 acres with an average investment in land and buildings of $12.6 million. Average employment at a park is 1,143.

Energy and material shortages and even stricter environmental standards will affect park development in years to come. Gasoline shortages could well prevent parks from locating too far out and will spur mass transit hookups.

More attention will be paid to insulation, types of building material, innovative heating and cooling systems, and placement of buildings in relation to the sun.

Good planning along these and other lines, industrial park managers believe, will lure businesses as they expand their office, manufacturing and distribution facilities. END



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# Do Your Designs Do What They're Designed to Do?



ILLUSTRATION: RALPH ROBINSON

Walking through a market or other self-service store these days, you can't help but be struck by the handsome graphics of the packaging. Outside, the impression continues—with signs, vehicles, even uniforms contributing to the same handsome image. The natural question is: "Where do they get those beautiful designs?"

But that's the wrong question for the businessman to ask. The right one is: "Do those designs do the job?"

Simply slapping a graphic design element, however handsome, on a company's products, advertising, letters and the like may be a waste of money. What appeals to a graphic designer could be completely at odds with the message a company should project to its many publics.

For example, consider two airlines—Alitalia and Hawaiian.

You might assume that the same graphics would work equally well for either. After all, they're both in the same business. However, when you dig deeper, you see the fundamental differences that strongly influence the image each must project to appeal to travelers.

Alitalia is a large airline, in fact the sixth largest in the world. Moreover, it is efficient and well-run. But in the United States, its dependability formerly was not well-known.

Clearly, then, a "friendly skies" image was wrong for Alitalia. The solution was to portray graphically an extremely modern, businesslike image. The result was a bold, no-nonsense appearance to the company's aircraft and advertising that has been enormously successful in changing the attitude of U.S. business travelers toward Alitalia.

Hawaiian Airlines had an entirely different problem. Its travelers are not businessmen, concerned with tight schedules, but vacationers, looking for fun and relaxation. The no-nonsense Alitalia look would have little appeal for this kind of traveler, so an entirely different design was evolved, stressing curves, bright colors and local symbols to evoke the fun and romance of the islands.

In the same way, your company has specific marketing problems, and good graphic image must contribute to solving them.

Certainly, designs should be handsome, but they should work for you, not against you.

How, then, do you go about selecting a graphics program that meets your needs? It's not easy, because businessmen and designers rarely talk the same language. The designer speaks of curvilinear flow; you're interested in cash flow. But there are steps you can take that should result in an effective program.

First, remember that you are projecting an image today in your products, your correspondence, your trucks—indeed, in everything the public sees. This image may be good, bad or in between, but it shapes the public's attitudes toward your business.

Hence, you must establish how you want your public to see you—as modern or traditional, quality or economy, or what. If your current image is consistent with your marketing goals, fine. Yours is one of the few companies that has no problem.

However, you should insist on some basic market research to verify what your public's attitudes really are. It should give you detailed information about what elements of your current image are worth keeping. You may be quite surprised.

Then be prepared to spend some time working with your designers so that they become intimately familiar with your marketing problems and goals. Obviously, you're better off with firms that know your type of business and products.

Remember, also, that you're not the ultimate authority on acceptance of a new package or graphic design. The public is. For this reason, insist on several trial approaches, tested on that segment of the public you're aiming at.

Finally, don't settle for a package design that is prohibitively expensive to produce, or a design or color that won't work in all its intended applications. A logo that looks great on a letterhead sometimes looks silly as a 10-foot sign on the side of your building.

What all this implies is that you must take the same care in developing a graphics program as you would in developing a new product. Many of the same elements are involved—definition of objectives, careful market research, selection of a capable, experienced supplier and personal involvement in the development program.

That way, you'll get more than just beautiful design. END

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WALTER LANDOR, *author of this article, is president of a leading design firm, Walter Landor Associates, San Francisco, Calif.*

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THE WORLD OF INDUSTRY

# The Hole Truth About Minerals

Conceivably, 7,500 holes drilled three miles deep every 20 miles throughout the 48 contiguous states would tell geologists once and for all the full story of our mineral reserves situation from coast to coast.

One advocate of such an undertaking is Dr. John D. Ridge, head of the department of mineral economics at Penn State, who says:

"Only through a systematic drilling program across the entire United States can we be certain that all deposits of mineral and fuel materials in the outer three miles of the crust of this country will be found."

While the estimated cost of drilling the 7,500 test bores would be a respectable $3 billion, Dr. Ridge cites studies that predict minerals worth $750 billion lie beneath the three million square miles of the 48 states.

He concludes that the drilling would have to be government-financed and urges the U.S. Geological Survey be given the task, with the results being made available to the public. Drilling, as he sees it, would probably start from known mineral deposits and fan outward, eventually forming a grid across the nation.

"It can be convincingly argued," he says, "that so much recoverable mineral and fuel material should be found by such drilling that the cost would be repaid many times over."

The Geological Survey, while not actively advocating such a program, has shown some interest, especially since the recent compilation of a report on the nation's mineral resources.

Dr. V.E. McKelvey, Survey director, says that there is a substantial potential of resources in some minerals, but "to bring them into the category of available reserves will require enormous research efforts." Lead times, he says, should be "measured in decades, not just months. Crash programs responding to the shortages of the moment will not suffice." •

## Gandy Dancing on Concrete

Railroads are giving serious consideration to substitutes for the traditional wooden crossties—those slabs that the ribbons of steel have been spiked onto by John Henrys down the years.

The Norfolk and Western Railway, for example, is installing 800 reinforced concrete crossties on a section of track in Virginia to test their durability under normal operating conditions. For this stretch of track, this means a dozen 160-car trains, each carrying 17,000 tons of Appalachian coal, daily.

In recent years, U.S. railroads have found it difficult to buy crossties sawn from hardwoods, which are much in demand by the furniture, pallet and construction industries.

Another factor in tightening the supply of crossties is adoption of new track safety standards by the Federal Railroad Administration.

Concrete ties, used extensively in rebuilding European rail lines following World War II, last longer than wooden ties but are considerably more expensive. However, the price of wooden ties is creeping up toward that of the concrete ones, which cost about $20 each when bought in quantities of 100,000 to 200,000.

At the start of 1973, Norfolk and Western was paying an average of $7.08 for a wooden crosstie. It expects the price to average out at $9.97 this year and to go higher in 1975.

NW's right-of-way, the ninth largest in the nation, consists of nearly 15,000 miles of track, under which are 39 million crossties. •

# West Virginia is energy!



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Couple West Virginia's great energy capacity with overnight trucking to over 60% of the nation's population (7 of the first 10 markets, 15 of the first 25) on newly completed and improved highways plus rail, barge, and air transport.

To this, add liberal tax credits to industry, readily available financing of up to 100% on plant and equipment and a fiscally responsible State Government.

And one more thing. West Virginia offers an unexcelled environment for living and year-round recreation in an uncongested State that says "welcome".

Find out why West Virginia is the energy capital of the nation and why you should make a profitable decision to expand or relocate your business here.

*Write Governor Arch A. Moore, Jr., c/o Industrial Development Division, West Virginia Department of Commerce, Charleston, West Virginia 25305 or telephone (304) 348-2234 for the whole story.*

**ENERGY CAPITAL OF THE NATION...**

# WEST VIRGINIA

# A. E. Cole Company wanted a small plant. Pak-Mor Manufacturing wanted a large one.




# Both needed ARMCO BUILDINGS.

The new manufacturing facility built for the A. E. Cole Die & Engraving Co., Inc., Columbus, Ohio, isn't terribly large—some 6000 square feet.

But Mr. Cole knew he wanted personalized service from his local Armco Building Dealer, Ruscilli Construction Co., and he got it.

"We were impressed," he wrote to Louis Ruscilli, "with the amount of time you spent with us in answering questions . . . we feel that your company's reputation is built on a desire to help the customer."

Pak-Mor Manufacturing, maker of refuse packer bodies, wanted similar service when they decided to build an 80,000-square-foot plant in Duffield, Virginia.

Again, a local Armco Dealer, Rentenbach & Wright, Kingsport, Tennessee, achieved the client's satisfaction, as expressed by Pak-Mor's president, Jimmie V. Thurmond:

"Our selection of the Armco Building System resulted from the total design-and-build concept offered by Rentenbach & Wright. The interest and concern they expressed was a primary consideration in our decision. We were favorably impressed with the service they offered as well as the appearance and construction of the Armco Building they proposed."

You, too, have a local Armco Building Dealer who can provide such services. Call him today. He's in the Yellow Pages under "Buildings—Metal." Or write to Armco Building Systems, Dept. M-344, Box 800, Middletown, Ohio 45042.

ARMCO

## WHAT READERS WANT TO KNOW

**Are they really going to bring back the old Civilian Conservation Corps of Depression days?**

There is strong support for doing so. With little fanfare, the Department of Agriculture has had a pilot program under way for three years which, during that time, has given outdoor summer employment to almost 10,000 young people. The Youth Conservation Corps, as it now is called, draws young men and women, principally from cities, and assigns them to conservation work on public lands. So far, Congress has appropriated $9.5 million for the YCC.

The Department estimates that the YCC has completed some $4.5 million worth of high priority conservation work.

Congressional supporters of the YCC now would like to make the program permanent, spending $60 million annually to provide jobs for 60,000 young people each year.

**Is Congress about to enact a national health insurance bill? What kind of legislation will it be? And how much will it cost?**

Congress does appear headed toward some form of broad health legislation, but what form it will take is anybody's guess. Currently, 79 different bills are pending, offering almost every conceivable approach to national health insurance. No single proposal seems to have overwhelming support, so it is hard to predict what type of NHI will emerge.

But the cost could be staggering. According to various estimates, NHI will add anywhere from $3.6 billion to $60 billion to the sums the federal government now shells out yearly for health care. And the specter of higher physician fees, long waits for appointments, and crowded waiting rooms also is raised.

**Is there a move afoot to limit the Presidency to a single six-year term?**

Yes, there is a bill to that effect in Congress. But it's nothing new. Similar measures have been introduced almost annually over the years.

The theory behind such a move is generally this: Four years is too short a term for a good President and eight years is too long for a bad one.

Interestingly, for more than 40 years, every past American President, except one, has served more than four years in office. The exception is John F. Kennedy, who was assassinated in his third year in office.


# TAKE A WINTER VACATION ON HILTON HEAD ISLAND.

## 4 days and 3 nights. Your choice of golf or tennis. $60.

Winter on Hilton Head was once the island's best-kept secret. Now, more and more people have discovered that winter at Sea Pines Plantation, Hilton Head's premier resort, is one of the nicest times all year for golf and tennis (and fishing, sailing, biking and beach walking). Daytime temperatures average a just-right 67°. And if you choose our special winter vacation plan, the price is surprisingly attractive. And an outright bargain when compared with many Florida resorts.

**$60.00 Goes a Long Way at Sea Pines.** From November 1 through February 28, this one inclusive per-person rate gives you 4 days and 3 nights in a lovely, privately-owned villa (double occupancy or more) and your choice, for three days, of golf on nine island courses (cart not included) or tennis at our 27-court Racquet Club. Stay longer, if you wish, for $20.00 per additional night.

**Optional One-Price Dining Plan.** Great breakfasts and dinners in your choice of six Sea Pines restaurants, $15 per day additional.

**Sea Pines Winter Golf and Tennis Tournament.** Visit Sea Pines during winter tournament time and test your mettle against other Sea Pines guests. We'll have a lineup of handsome trophies for weekly winners in several categories. Grand prize winners will be our guests with spouse for a gala weekend, transportation not included.

Six weekly tennis tournaments, November 3 to December 14. Four weekly golf tournaments, January 5 to January 30.

Hilton Head's secret is out. So make your reservations now.

**Come Early at Slightly Higher Rates.**



*Sea Pines Winter Vacations*

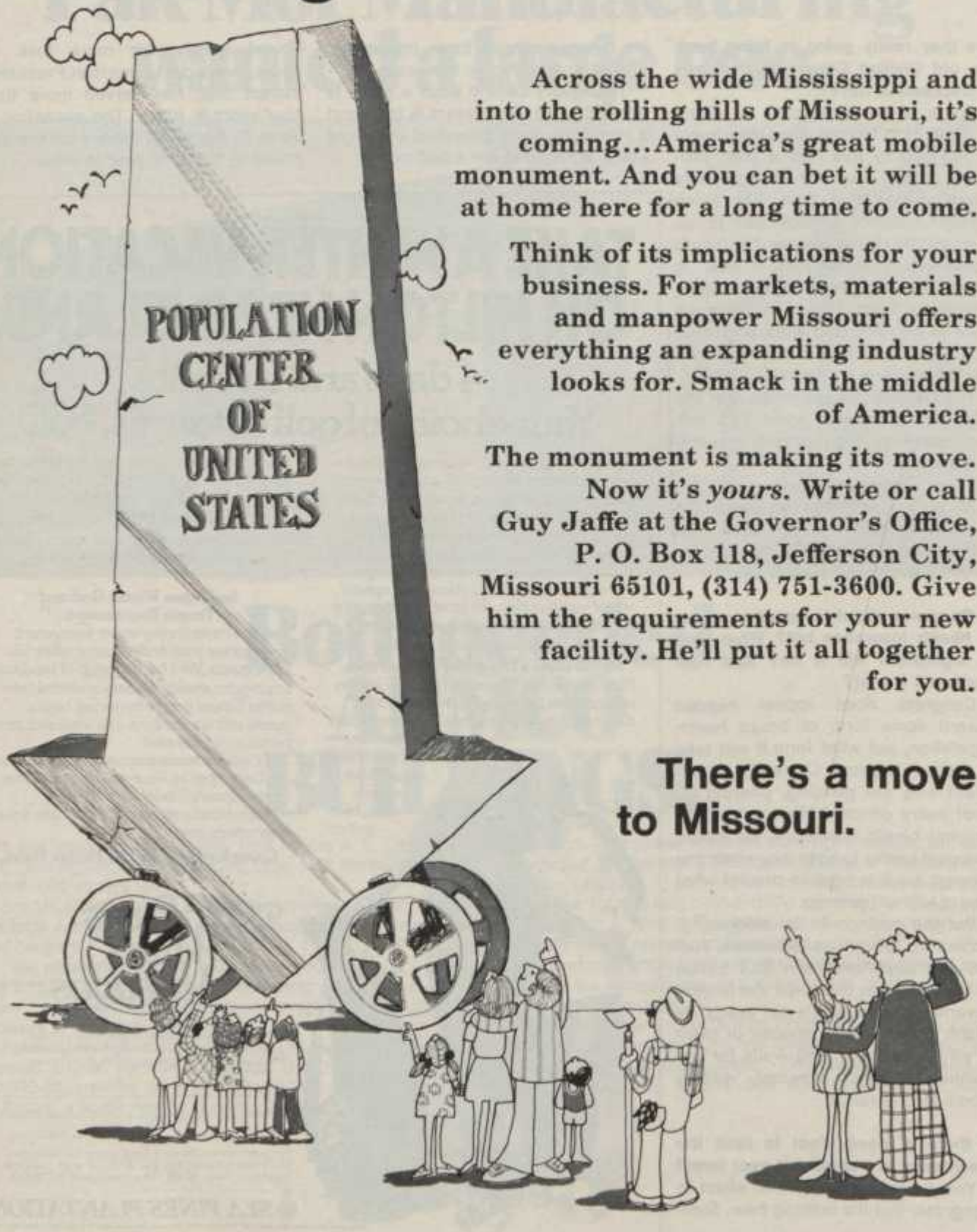
☐ Kindly send me details on Sea Pines golf and tennis vacation plan and winter tournaments.
☐ Also enclose information on Sea Pines group meeting facilities.

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Address_____
City_____ State_____ Zip_____

For reservations, see your travel agent, or call either (803) 785-3322 or (412) 231-2186. Or write Sea Pines Plantation, Dept. SVNB, Hilton Head Island, S.C. 29948.

SEA PINES PLANTATION

# The U.S. Population Center Monument is moving to Missouri.




Across the wide Mississippi and into the rolling hills of Missouri, it's coming...America's great mobile monument. And you can bet it will be at home here for a long time to come.

Think of its implications for your business. For markets, materials and manpower Missouri offers everything an expanding industry looks for. Smack in the middle of America.

The monument is making its move. Now it's *yours*. Write or call Guy Jaffe at the Governor's Office, P. O. Box 118, Jefferson City, Missouri 65101, (314) 751-3600. Give him the requirements for your new facility. He'll put it all together for you.

## There's a move to Missouri.

# The Art of Saying No

## Sometimes you have to do it, but you can avoid leaving bruises by following these rules

The executive who succeeds in business while really trying often turns out to be the one who has the knack for saying No.

Two letters that slip off the tongue as easily as any in the alphabet form a word that may be the most difficult of all to say. The wrong way may leave the No-sayer with a lifelong legacy of ill will.

There is the other way, used by the businessman who has developed a graceful style for occasions that call for saying No.

He is aware of the social graces, including showing consideration for others.

His No is without cutting edges because he treats the word—and its recipients—with great respect.

Why bother with the right kind of No? A businessman with long and varied experience gives two reasons:

1. By taking pains with your No-saying, especially to those who probably never will be able to do a thing for you, you maintain a single set of business manners—a basically good exercise in behavior.

2. You never know. It is just good sense to deal with the possibility that the person who today is getting your No may tomorrow have a No power over you.

In other words, as the saying goes, never swear at the office boy—tomorrow he may be your boss.

Treating someone seeking your favor with the same respect you show those whose favor you curry is the hallmark of the professional in communication.

If that is not reason enough for developing a graceful style of saying No, look at the more practical benefits. The bumbling rejection of a supplicant can cost you money in the long run.

Not long ago, the senior executive of a multibillion-dollar enterprise held up the tissue copy of a letter and said:

"Read how we lost a $5 million deal because a guy in our company who wrote that letter didn't know how to say No."

He shook his head with exasperation. His conglomerate corporation has seven major groupings, ranging from manufacturing to insurance to shipping and hotels.



Persuade him to accept No

"The gentleman who received this letter," he said, once again holding up the carbon copy, "was working out an arrangement with me which involved a beautiful profit contribution of bottom line dollars that added up to $200,000. That kind of deal you don't close every day.

"It was wonderful until a few days later when he came in to inquire about our hotel facilities. He was planning a four-day convention of some of his managers, distributors and dealers, maybe 200 to 300 people.

"He needed meeting rooms, meals, sleeping rooms, the works. So I introduced him to Charlie of our hotel group.

"It turned out that our hotel was running at capacity, and Charlie made a wrong decision. Concluding that it would mean a loss of business but not a loss of

---

WILLIAM R. SEARS, *author of this article, is managing partner of Sears & Co., San Francisco management consultants.*

# The Art of Saying No *continued*

profit, he called my customer and said, 'I'm afraid I'll have to turn you down.'

"And that was the tragedy. Not knowing the fine art of saying No, Charlie turned down the customer rather than the request."

The businessman then related how quickly his customer undid the anticipated, highly profitable $5 million deal.

Every No-sayer should remember Charlie's mistake.

### Choosing the right words

How can one avoid a similar error?

Many ways.

"Sorry, but I'll have to turn you down." Wrong.

"Sorry, but I can't see how I could accommodate the request." Better, but not good.

"I wish we could provide 4,000 square feet more, but the existing tenant plans to stay on 30 days more, and we can't do a thing about it." Improving.

The president of a television manufacturing company once gave an employee this sound advice:

"If you have to cut a distributor off, sell him on it."

For example:

"We've not done right by you. . . . You're not making enough money on our line. . . . We're ignoring an important part of the market you need. . . . Our financing is not equal to your volume. . . . Perhaps another time we'll take another look."

Dismissing an employee can be done without leaving a reservoir of ill feeling, by using the same technique.

A regional manager of a large electrical company is firing the general supervisor of a district distribution center. Read his actual words:

"We've bungled your job here badly. You should have had a raise a long time ago, but we didn't put in for it at budget time. You should have had more help but that never came because of the job freeze. Here you are, a college graduate, in a flunky job you could do with your left hand tied behind you. Why don't you tell us to go jump in the lake and leave us high and dry wondering why we ever let you walk out on us?"

Before he was through, the regional manager had sold the employee the idea that he was equal to greater opportunities elsewhere because conditions were not right for him where he was. But the simple fact was that he was fired.

The regional manager had been considerate and graceful enough to invest the time, energy and skill in reasoning and persuasion so that the employee accepted the No as being in his interest. There may be some flaws in the system, but it beats:

"You're fired."

### Doing it for his good

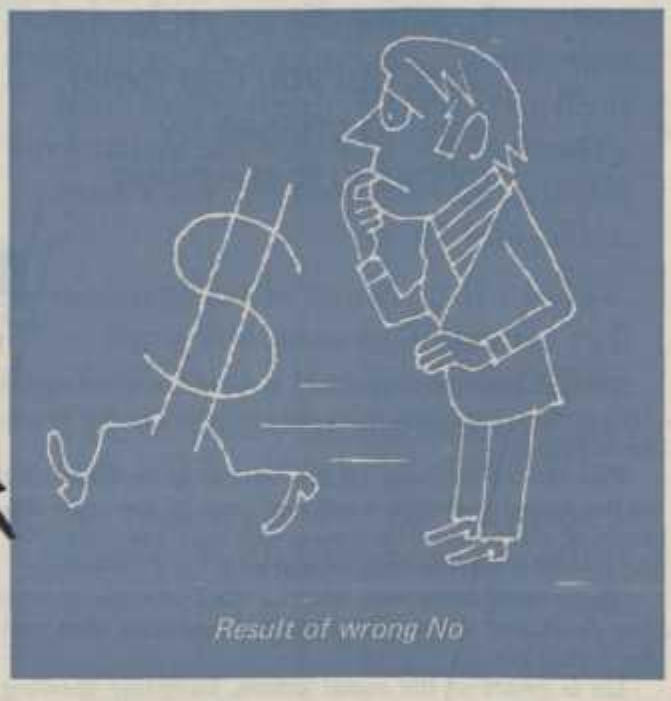
The highest form of the art of saying No is convincing the other person that your decision is in his best interests.

The executive concerned with long-term relationships of real worth always keeps his sights on the other individual's needs, system of values and interests. He is prepared to lose a "deal" but never a valued customer, employee, investor or supplier.

This executive thinks through the other person's real needs, analyzing his interest and suggesting the request may be inconsistent with that. He recommends alternatives, cites their benefits backed up by proof, and in effect sells him on something else. Or perhaps he convinces him to give up what he is seeking.

And then there is the fellow who won't take No for an answer. What to do?

For one thing, remember that persistence is highly complimentary because it says you mean a great deal to the petitioner and your Yes is important to him. And don't frown on persistent people. Given politeness



Result of wrong No

and good manners on their part, their dogged determination may yet uncover ignorance or fears on your part which obstruct your seeing how what they propose might be valuable.

But many times the answer still has to be negative, and to reduce the pain of saying No the businessman may find the prescription among these helpful hints:

- *Delay.*

Do not be quick to say No. First, explore every possibility. Get all the information you can. As he elaborates, the petitioner may inadvertently be revealing justification for your No.

- *Ask signaling questions.*

"Do others do it this way?"

"Have you had any experience with this?" By the nature of your questions, you can subtly begin to convey to the petitioner that a No is in the making, thereby softening the blow when it falls.

- *Apologize and mean it.*

You should be sorry not to say Yes. When you say

# Emancipation

**The 3M Brand "257" Copier: designed to free you from expensive time-consuming work.**

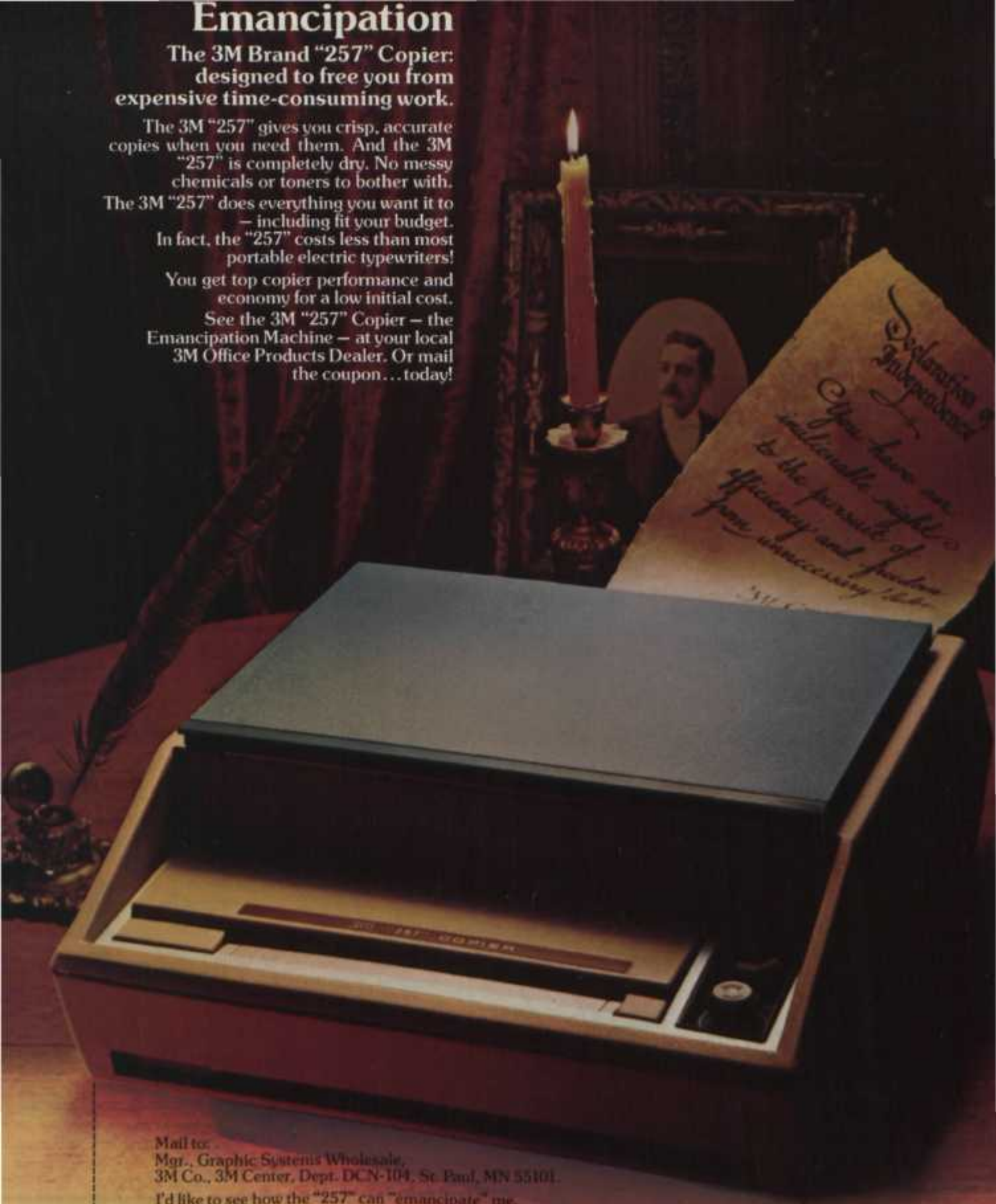
The 3M "257" gives you crisp, accurate copies when you need them. And the 3M "257" is completely dry. No messy chemicals or toners to bother with.

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In fact, the "257" costs less than most portable electric typewriters!

You get top copier performance and economy for a low initial cost.

See the 3M "257" Copier – the Emancipation Machine – at your local 3M Office Products Dealer. Or mail the coupon...today!




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3M OFFICE PRODUCTS

# Remember Henny Penny?

**There's a reason to believe that some of her offspring are around with a story of doom.**

**They're not shouting that the "sky is falling," but are telling another tale similarly unsupported by facts.**

**The word is out that "this is a hopeless election year—so forget about voting, it will have no bearing on the dismal future ahead."**

**Don't accept what Henny Penny's* followers have to say.**

**Doomsday is not at hand. The elections of November, 1974, will affect you. And you can affect them.**

**We at your chamber of commerce believe in making things happen . . . and that takes action instead of apathy.**

***Some will recognize Henny Penny as "Chicken Little."**

**Pete Progress speaking for your chamber of commerce.**




## The Art of Saying No *continued*

No, make known your displeasure, even exasperation, with those conditions that created the No, of which both he and you are the victim.

- *Never say No—say what amounts to it.*

A shrewd salesman once observed, "If the answer is anything but Yes—it's a No." Anything but Yes will do.

- *Compliment, sure; but don't flatter.*

Learn the difference between flattery and compliment. Telling a homely girl she's pretty is flattery; it's a lie and she knows it and won't believe it. Remarking that her hair style is attractive, if true, is a compliment. That she'll believe.

Similarly, saying No requires a fine distinction between earnestness and false compliment. Never say someone is right, if you don't believe he is.

"This is a great idea." False. You don't really think so.

"I can see where you'd be attracted to this." Better. You're showing understanding.

- *Say something nice before pointing out a flaw.*

Select one or several aspects of the individual which you respect—his business acumen, his style, his soundness, his record with you. Concede his request has some merit, as much as your judgment honestly dictates: "a little," "considerable." Select a disqualifying flaw, as your judgment dictates: "It's a good idea . . . but not now." "It's a terrific process . . . but not for us."

- *Substitute an alternative.*

A convenient synonym for No is the proposal of an alternative. This can range in achievability from easy to impossible, effectively situating No on a gray scale which ranges from the pure white of Yes to the deep black of No.

A conditional Yes is, after all, not a Yes, and therefore a No—but so much more palatable.

- *Avoid appearing mealymouthed.*

There is no substitute for honesty and sincerity. The gentle art of saying No is founded on the ability to say No tastefully, with tact.

- *Making it easy.*

Prudent observers of letting someone down gently recognize that there are a whole lot of answers that mean No, besides the actual No. An old standby: "Let's think about that."

Saying No isn't necessarily unpleasant or even difficult, if you study how and keep in mind the other person's real needs, interests, feelings and goals. Try to avoid the unpleasant word; instead present reasons that make the No evident.

And remember: If the answer is anything but Yes, it's No. END

REPRINTS *of "The Art of Saying No" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20062. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.*









# You expect your business to grow. Can you expect the same of your building?



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LESSONS OF LEADERSHIP

PART CXIII

# Joseph B. Danzansky of Giant Food

## Consumerism as a competitive tool

When Joseph B. Danzansky, president of Giant Food, Inc., hired Esther Peterson in 1970, his peers feared he'd flipped.

Mrs. Peterson had been President Lyndon Johnson's special assistant for consumer affairs for three years. In that White House role, she was consumerism's official, vocal and highly visible advocate.

"At the time," Joe Danzansky reminisces, "she was anathema to the food industry and very few of our colleagues would speak to her."

However, he says, "we had decided that consumerism was here to stay, that its premises were valid. We had decided to go the whole way and embrace it. In fact, to make it a competitive tool.

"It didn't take us long to decide there was only one person to undertake the effort—Esther Peterson. She was the First Lady of the consumer movement."

Mr. Danzansky, lawyer turned supermarket executive, is a man with sensitive social antennae. That has turned out to be an asset—in more ways than one. He and his Washington, D.C.-based firm established good ties in Washington's black community in the years after he took over at Giant in 1964.

In 1968, when Martin Luther King was killed, black mobs looted and burned block after block of stores, some within shouting distance of the White House. Giant's stores went unharmed. Black employees camped at them and warned looters away.

Shortly afterward, when some 3,000 antipoverty demonstrators set up a camp, "Resurrection City," on the Mall near downtown Washington and stayed for weeks in rain and mud, Mr. Danzansky persuaded the business community to feed the largely black group.

He sees himself as a businessman, however, not a do-gooder.

"I feel we have demonstrated that consumer action and community action are good business," he says.

Figures back him up. Since he became Giant's president, in 1964, sales have more than tripled—from $200 million to $670 million in its 1974 fiscal year. This year, the firm's 102 stores in Washington, Maryland and Virginia are expected to hit $750 million.

Mr. Danzansky's industry has honored him for his leadership. He's now chairman of the board of the National Association of Food Chains.

Before he became president of Giant, he was a highly successful Washington lawyer, with an income of over $100,000 a year, mostly from corporate clients. In his hometown, he's a local hero for his efforts to buy, along with associates, a major league baseball franchise and bring back baseball to a city which has twice seen teams move away in recent years.

Here, in an interview with a NATION'S BUSINESS editor, he discusses his career and business philosophy.

*Haven't you been accused of kowtowing to consumerism?*

*Giant Food's immense new warehouse in Jessup, Md., covers 405,000 square feet—more than eight football fields—and is jammed with automated equipment like that shown behind President Joseph B. Danzansky.*



*Mrs. Esther Peterson, now vice president for consumer programs, was hired by Giant Food President Danzansky in 1970. They agreed her job was to sell consumerism to the company, not the company to consumers.*

## Joseph B. Danzansky *continued*

Yes, but if we aren't interested in the consumer, then damn it, we shouldn't be in the retail business—trying to sell consumers. If we are interested, we ought to hear what they have to say. And if what they say is right, we should do something about it.

*What are some of the "consumer" innovations Giant Food has championed?*

Unit pricing, open dating, nutritional labeling, things like that.

*Unit pricing—that's giving the price of a product by the ounce, isn't it? Before you adopted it, didn't some say it would cost a bundle?*

Yes, the first time I mentioned it at a grocery manufacturers' convention, some of the audience actually booed.

*Has it been costly?*

No, it has saved us money. It makes it much easier and faster to restock our shelves. And it has reduced out-of-stock items from something like 300 per day per store to 30. That was startling to our operating people.

*What's open dating?*

Stamping perishable products with a date—instead of a mysterious code—after which they can't be sold. It tells a shopper how fresh these items are.

*Did that help Giant, too?*

Yes, we found that clerks could read the dates more easily. That cut down on spoilage.

*How did you persuade Esther Peterson to come to work for you?*

We did it by promising her a hand at the levers of power—an opportunity to substantially influence major corporate decisions, and to implement many of her pet programs that had died in Congress. When she did join us she said: "Remember, my bags are always packed."

*Is she an asset?*

The first year after she came to Giant was our best year to date, in terms of sales and earnings. Her ideas have paid off and she has given us a lot of credibility with consumers. Most important, from a business point of view, our consumer programs have increased consumer confidence and therefore sales volume. There is an old adage in the retail food business: "Volume cures anything."

*Has anyone ever said to you: What's a lawyer doing in the food business?*

I've said it to myself from time to time. But I think you have to know my background to understand how I got into it. My law practice sort of developed out of the food industry. For example, I began representing Giant in 1944, eight years after it started. I was on its board for 15 years before I became president.

*What is your approach to running Giant?*

The emphasis is on people, not tables of organization.

# For him it's another day, another heart attack.

Harvey is the very model of a heart patient.

A manikin full of the recognizable signs and symptoms of heart disease.

If you were a student doctor, you'd recognize something else about Harvey.

In some ways, he's even better than a live patient to study.

With a twist of a dial he can be programmed to reproduce any one of a number of common (and not so common) heart diseases.

Which lets a student doctor get experience relating one finding to another—on more kinds of heart disease than many doctors come across in a lifetime.

Doctors at the University of Miami Medical School developed this experimental manikin. The people at ITT designed its complex solid-state circuitry.

Now others are being built, with the same ITT circuitry, to help train tomorrow's doctors.

When you consider that heart disease is the nation's Number One killer, you can see one thing more about Harvey.

He has quite a future.

**The best ideas are the ideas that help people.** ITT



International Telephone and Telegraph Corporation, 320 Park Avenue, New York, N.Y. 10022.

## Joseph B. Danzansky *continued*

We don't restrict our thinking or our activities to a formula. If the vice president of a grocery division has a suggestion for a vice president of general merchandise, we want them to talk about it—even if they are in two separate operations.

We don't say: "You stick to your knitting and I'll stick to mine."

This is the kind of attitude I'd like to think I brought to Giant, if I brought anything at all. We have some great professionals in our company—and they can and should help each other.

*Why is that important?*

I think one of the major problems between management and labor is boredom with the job. It decreases productivity and creates emotional unrest. That's reflected in a lot of ways, including in the union hall when it comes down to contract negotiations. Even though he doesn't realize it, often boredom is what causes a man to hate everything around him and to get up and say: "That ain't enough. To hell with their problems. I'm worried about mine."

This is the kind of thing we have to address ourselves to more and more—motivation. And to do it honestly, because it's right—not just to get us over the next contract negotiation.

Good labor-management relations are particularly important now.

*Why?*

Inflation!

I think the next three years are going to be the toughest years in the economic history of our country. I would hate to be a labor leader right now, dealing with the rank and file. It is hard as hell to convince them they are going to have to exercise restraint. Yet, if they don't, we're going to be in trouble, because prices are going to skyrocket. Business, of course, must do its share, too.

If we, labor and management, continue to battle each other, if we continue this "us versus them" philosophy, instead of a "we" philosophy, it's going to be terrible.

Of course, the answer to everything, except excessive wage demands, is productivity.

*Any way to increase it in the supermarkets?*

Our industry is getting ready for a tremendous breakthrough in warehousing.

We have built a 400,000-square-foot, automated warehouse in Jessup, Md. It will handle 800,000 cases of food a week.

It's a Buck Rogers kind of thing. Push a button and the stuff almost jumps on the truck. This is going to help keep costs down and increase productivity.

*Anything else?*

Yes, electronic cash registers and electronic scanning at checkout stands. Food products will come marked with a universal code number stamped on each package or can at the time of manufacture.

Then the price of each numbered product is put in the computer.

All the cashier has to do is run an electronic scanner over the code number and the correct price is rung up in the register.

*Doesn't that make it impossible to change prices?*

Oh, no. You just turn the crank to change prices. In other words, all cans of Campbell's beans a certain size will carry a certain number. Your computer will know the price for that number is 39 cents today. Next day, it can be changed to 35 cents or 45 cents or three for $1—just by putting that new price into your computer.

*Are any products being marked like that now?*

About half of those you see in your supermarket. The other 50 per cent will carry the code in the next year or year and a half.

*How will that cut costs or boost productivity?*

Well, it now costs the retailer about $5 to mark 1,000 cans. With the universal code, it will cost the manufacturer about 33 cents.

And it will speed up checking out.

*You're prominent in Washington civic affairs. When was your first big involvement?*

When I was picked to help feed the victims of the city's big riot in 1968, after Dr. Martin Luther King's assassination.

On April 6, the day following the riot, Mayor Walter Washington called in the quote civic leaders unquote to discuss the problem. He said one of the immediate tasks was to feed the poor made homeless when fires set by rioters spread from gutted shops to houses in the inner city.

He asked at the meeting: "Have the chain stores done anything?"

One of his aides got up and said: "Not a thing, Mr. Mayor."

Now, we had just ordered 50,000 loaves of bread and thousands of chickens and half-gallons of milk to give to the Council of Churches or whoever could get it to the people who needed it. I knew the other chains had done the same thing.

So I jumped up impulsively and said: "That's a damned lie!"

The mayor sort of looked at me—we had met, but just sort of casually—and asked: "Will you head up a committee to take care of the food?" And that was the start of a massive relief program that lasted for weeks.

*Didn't you fill a similar role during the "poor people's march" on Washington in May that same year?*

Yes, I had just come off the riot committee when an ad hoc group, primarily the Council of Churches, said: "Will you feed Resurrection City?" That was where some 3,000 demonstrators were to stay while in Washington demanding some rather extensive, and expensive, federal programs for the poor.

I thought about it a little while. I didn't think the business community would be too happy to help. They had just contributed substantially to take care of the hungry and homeless victims of the riot. Coming on top of that, I didn't think that they'd be too thrilled about having a mule-drawn caravan of poor people marchers staying in the city.

Finally, I said I would do it under three conditions: One, that the demonstrators had a permit to stay here. Two, that they'd leave when the permit expired. Three, that they'd be peaceful while here.

This march was staged by the Southern Christian Leadership Conference, Martin Luther King's old or-

ganization. The local representative was Walter Fauntroy. He did the negotiating for the SCLC and agreed on the terms. Then I knew I had to raise some money.

I told the Board of Trade, Washington's equivalent of a local chamber of commerce, that I would do it only if the Board approved.

The Board voted, something like 16 to 15, to help out in the effort.

*How did you convince the Board members?*

I told them, primarily, that these people were coming here anyway. And they were either going to come and be hungry, with whatever emotions hunger stirs up, or they were going to be satisfied and promise to be peaceful.

*Did you get any help from outside Washington?*

Yes, the food industry helped tremendously.

I got a call from one of the biscuit companies and they said: "Thank you for keeping the poor people's campaign in Washington. What can we do to help?" My answer was: "We need merchandise." And they started shipping.

I had a call from Campbell's and they asked: "What can we do to help?"

I said: "We need soup."

They said: "Well, we have a good product, but it was a dud when we tested it in New England. We called it Happy Soup, and the label just didn't carry us anywhere. Could you use that?"

It was a perfect soup for Resurrection City. There is no joy in Mudville—and this shanty town was Mudville.

I said: "Start shipping."

*Did the Resurrection City protestors keep their word about leaving?*

No, they decided to stay for an extra couple of weeks without a permit. So I went to Walter Fauntroy and said: "We lived up to our end of the deal. Now you live up to yours."

They stayed two days longer, and then they left.

*Did Mr. Fauntroy get them out?*

Yes, he did. He was full of integrity and I respected him for it.

*Did Washington benefit from being a Good Samaritan?*

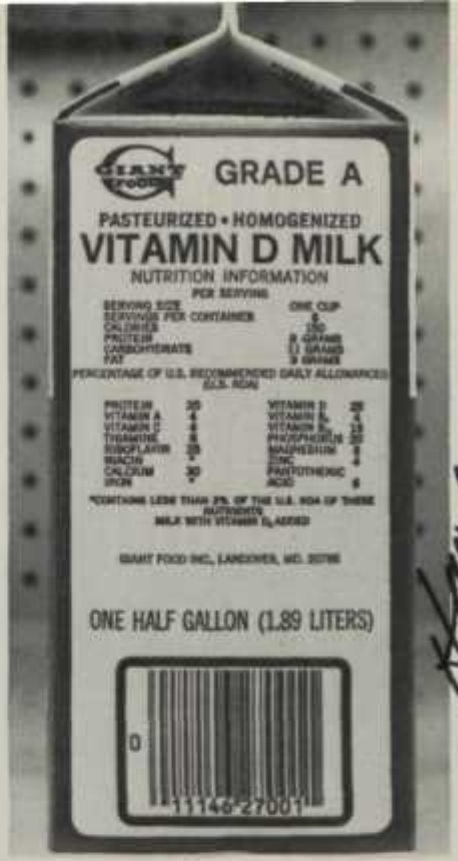
Yes, indeed. Shortly after, the SCLC started Operation Bread Basket. It was to be a black boycott of stores in 14 cities—including Washington—where the SCLC felt merchants hadn't hired enough blacks.

I wrote Mr. Fauntroy and said, in effect: "Gee, haven't we suffered enough? We did everything you asked us to do, and I think you ought to leave the Washington businessmen alone."

I got a beautiful letter back, saying: You are right. We thank you for what you did. There will be no Op-

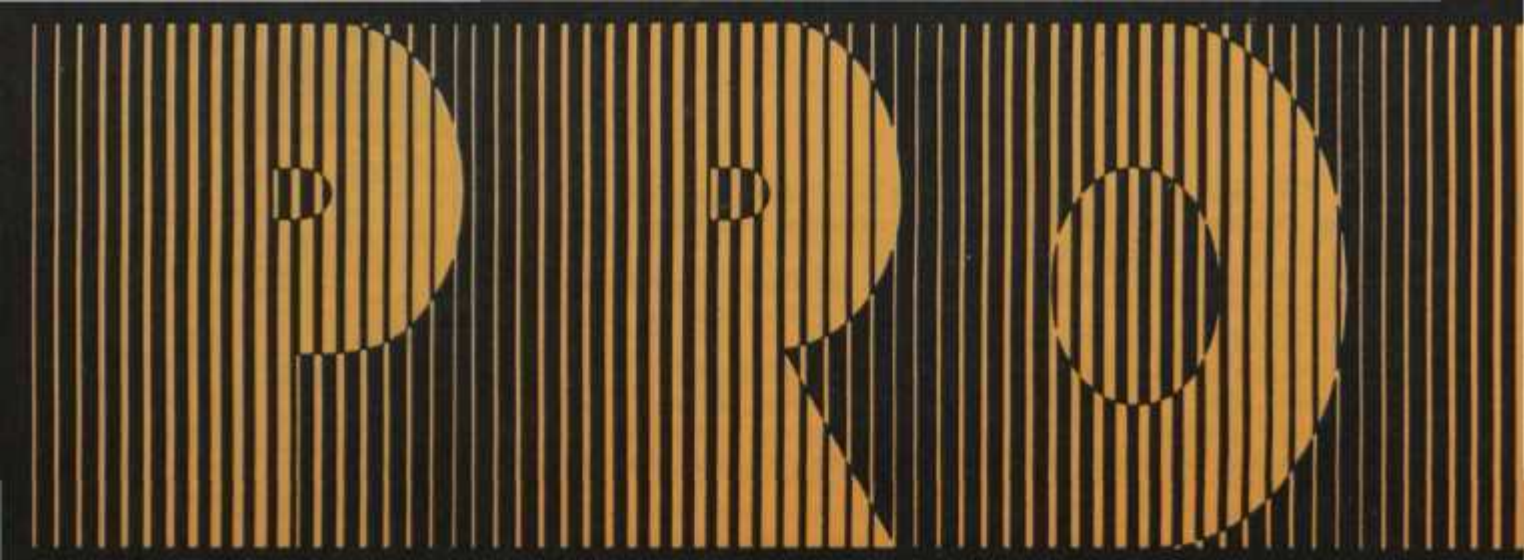



filed under grocery stores




*Nutritional labeling, one of the consumer aids Giant Food has pushed, shows at a glance what food elements a product contains—and how much. The code number at the bottom is for electronic scanning at the cash register, speeding checkout.*

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## Joseph B. Danzansky *continued*

eration Bread Basket in Washington.

And they took Washington off the list. It's nice to know that bread cast on the waters sometimes comes back as a sandwich.

*What was it like to grow up in Washington in the '20s and '30s?*

No different from growing up in any other city.

I had two brothers, and the family always lived upstairs over the family business. First, over a confectionery. Then, over a funeral home my father owned at 14th and Otis Streets N.W. That's what got us all through school. I spent six years at George Washington University, where I got my law degree, after graduation from the old Central High. I got out of Central, now known as Cardozo, when I was about 15.

*How come?*

In those days, they were experimenting with so-called intelligence tests. They'd try them out on the kids, and if you did well, they'd skip you a whole year. So I skipped a couple of years. That doesn't mean I'm bright.

It means I tested well.

*How did a 15-year-old freshman get elected class president at George Washington?*

I think my fraternity brothers probably stuffed the ballot box. They did the campaigning on that one.

*But weren't you class president four years in a row?*

Yes, and then I ran for president of the student council.

*How did that work out?*

Well, it was interesting. My opponent was the son of a U.S. Senator. The president of the university called me in and said: "Joe, don't you think you ought to spend more time on your law school work?"

It developed that he wanted me to withdraw in favor of my opponent. I'm sure he would rather have the son of a Senator as president of the student council than the son of a funeral director. So I said I'd go home and talk to the family.

We used to have the traditional evening dinner on Friday nights at my parents' home. We used to discuss our problems, and hopefully our joys, during the course of that dinner, where we were all together. So I brought this up.

My father, he was sort of a scrapper. I mean he paid a lot of attention to integrity and what was right or wrong.

He said: "I think you ought to stick it out."

My two brothers, who were a little more practical, said: "If the president of the university suggests you withdraw, you ought to do it."

So I made a compromise. I told my campaign manager what the president suggested, and he said: "Joe, you can't do it." I said: "I will do it—but on one condition. That you run, and let me be your campaign manager."

He wasn't a Senator's son, but his father *was* a lawyer and a former Florida legislator. Well, we elected him. We had a strong organization. Let's put it that way.

*Your friends say you're a great storyteller. Do you have a favorite?*

Yes, it's about a man who's walking down the street with his three grandchildren. A friend stops him and says: "My, what beautiful grandchildren."

The grandfather replies: "That's nothing. Wait till I show you the pictures."

I'm a grandfather and that's a typical grandfather story.

*Does your success mean that a good manager can manage any kind of business—a law firm or a food chain?*

I don't consider myself a professional manager. I consider myself a professional human being. END

REPRINTS *of "Lessons of Leadership: Part CXIII—Joseph B. Danzansky of Giant Food" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20062. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.*

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# They're in Debt to the Yankee Driller

## Out there in the North Sea, where even 75-foot waves aren't record-setters, American oilmen are making a vital contribution to European energy supplies

ABERDEEN, Scotland—International oil companies and government officials have rarely found themselves in concert.

It's gratifying, then, when these two groups face a problem together, cooperate, and start down the road to rousing success.

Such has been the situation, at least up until now—there are storm clouds ahead for the companies—in the North Sea, where the greatest oil and gas strikes have been made since the Middle East findings of the 1930s.

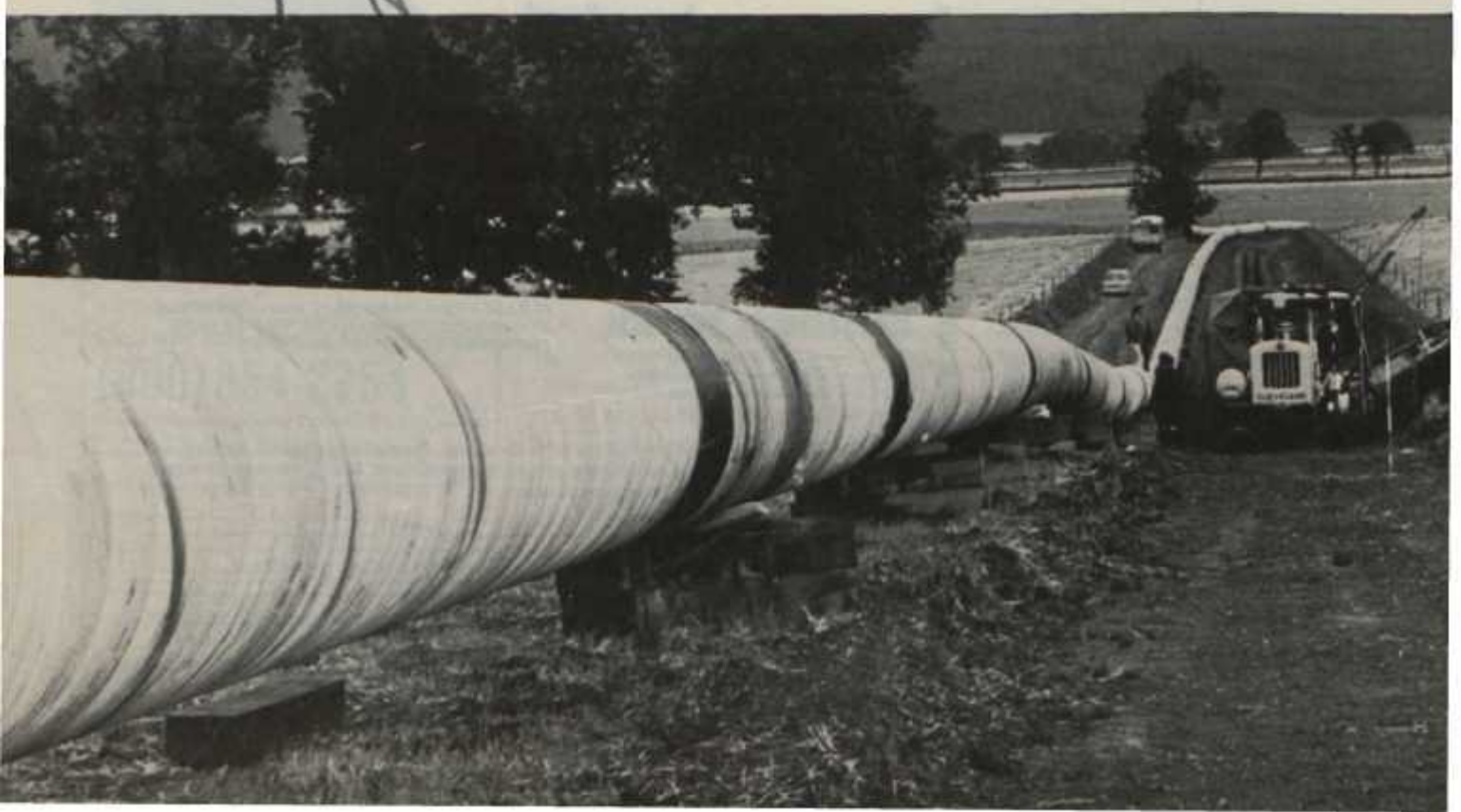
No one knows how much oil is out there where the wind often is clocked above 115 miles per hour and where even 75-foot waves aren't record-setters. Estimates at this point run from 15 billion to 40 billion barrels of crude. As for gas, so much has already been found and so much more is indicated that no one has even tried to estimate the ultimate total. The northern extremities of the North Sea oil and gas fields have not been identified.

What is known is that enough oil and gas have already been discovered, and enough progress made in getting it ashore, to assure Norway and Britain—the principal North Sea oil nations—of self-sufficiency in these fuels.

Norway will become an exporter of oil within a year. It recently began slowing down exploration and development so that the carefully balanced Norwegian economy will not be radically changed by an influx of vast sums of money and in order to make the supply of crude and gas last far into the next century.

The British will be self-sufficient in less than five years, and will also become oil exporters. In the meantime, Britain, with a badly sagging economy, is pushing exploration and development as fast as possible.

Considering the ferocity of the weather and the difficult drilling conditions, the great distances involved, and myriad international complexities, the development of North Sea oil has moved with speed. In contrast, governmental and environmentalist objections and slowdowns have delayed by many years the development of America's oil deposits in Alaska and offshore on the Eastern





*Phillips' offshore oil reservoir—the world's largest—on its way from Norway to the middle of the North Sea.*



*An underground pipeline is built (left) to connect with an underwater pipeline so oil can flow to a refinery near Edinburgh. But the environment is a big concern, too, so the land is restored to its original state when the job is done.*

and Western Continental Shelves.

The first exploratory wells were drilled in the British sector of the North Sea in 1964, and the first wells went down in the Norwegian sector in 1965. Oklahoma-based Phillips Petroleum soon made the Norwegian sector's first big strike in what became known as the Ekofisk field, and British Petroleum was the first to hit it big in the British sector, with discovery of a field known as Forties in 1970. Amoco and Phillips made small strikes in the British sector before BP's great find.

Norwegian oil proved less difficult to remove than oil in the British sector—though nature's obstacles made the job far from easy—and in 1971 Phillips managed to begin lifting crude directly from four wells, by way of a converted drilling platform, and straight into tankers which took it ashore to the Norwegian port of Stavanger. By the end of this year, a

# They're in Debt to the Yankee Driller *continued*

permanently located, one-million-barrel concrete reservoir will be functioning in the middle of the North Sea for a complex of Phillips wells, making it possible to maintain a continuous flow of oil from them. When bad weather prevents tankers from taking crude directly from wells, the wells won't have to be shut down. They can pump into the reservoir until the weather clears.

BP, with a bigger field to prove and develop, and with a far larger market to supply, elected to go the elaborate route of establishing specially designed, permanent steel or concrete production platforms and laying a 105-mile undersea pipeline to the Scottish coast. The undersea line connects with a new 130-mile underground pipeline to a BP refinery at Grangemouth, near Edinburgh. By early 1975, oil will flow from the Forties field over this route in increasing quantities.

Another major pipeline system is also in the works, this one to serve 17 oil companies, with Exxon and Royal Dutch/Shell each holding a 35 per cent interest in the project. The system will bring oil from five fields northeast of the Shetland Islands to a terminal in the Shetlands. Weather permitting, the pipeline construction is to be finished in the summer of 1976.

So far, 12 fields of commercial quantity have been located in the North Sea—the majority in the British sector. As drilling is carried on farther northward, discovery of additional fields can be expected at a rate of two or three a year. Enormous quantities of oil are also believed to be to the west of Britain in the Irish Sea, and small quantities have been found there already. Not counting that western oil, conservative estimates are that Britain will be getting up to four million barrels a day before 1980.

### Among the "sweetest"

Little of the North Sea oil, which experts say is among the "sweetest" in the world, meaning it's particularly low on sulfur, is expected to come to the United States. However, U.S. companies are playing vital roles in bringing it out.

With the exceptions of BP and Burmah Oil, which are almost entirely British, and Shell, which is Dutch and British, all major discovering companies have been American. In addition to Phillips and Exxon, they include Amoco, Gulf, Texaco, Hamilton, Mobil, Signal, Conoco and Occidental. A score of other American companies are members of consortia but are not doing the drilling. Altogether, about 250 separate companies —more than half of them American—are involved in various oil operations.

Companies drilling for oil in southern areas of the North Sea off the English coast and in the upper North Sea off Scotland and the Shetland Islands have often discovered both oil and natural gas. BP found the first gas in 1965 in the south, and within two years it was being burned for cooking and heating in British homes and factories. When the enormous gas field called Frigg is developed in the far north, Britain will have more gas than it can use for many years to come.

Practically every cent spent on North Sea oil development has come from private sources, and sums are staggering. Something in the nature of $35 billion will ultimately be needed and over $4 billion has already been spent.

BP got one $900 million loan from a consortium of banks to start development of Forties, which at the time was the largest single private borrowing ever made. The cost of "Highland One Jacket," a production platform that's 475 feet long, 250 to 300 feet wide and stands over 700 feet high, alone totals $200 million. One thought-to-be-choice drilling site was leased out by the British government for $42 million. Thus far, the area has produced no oil.

Daily costs of a North Sea drilling rig run up to $60,000. Drilling conditions are about the worst possible. Oil is 400 to 1,500 feet below the surface, in latitudes where temperatures drop to 20 below and chill factors to 50 below. Gale and hurricane winds blast away for days on end. Four rigs have been blown over already, with 11 lives lost. One drilling rig could not be serviced by helicopter for 22 days.

Geographically, however, North Sea oil is perfectly placed. It's in oil-hungry Europe and five nations in addition to Britain and Norway—Denmark, Germany, the Netherlands, Belgium and France—are joining in searching for it. For Britain, the nation which needs it most and so far has the most, it is the greatest natural find since the discovery that coal

## SAVING A SINKING SHIPYARD

Glasgow, Scotland—The most famous shipyard in the world—the old John Brown & Co. yard where the *Queens Elizabeth 1* and *2* and *Mary*, the *Lusitania* and scores of battleships and cruisers were built —is now turning out oil drilling platforms for the North Sea.

The yard, on the River Clyde, is owned and operated by Marathon Manufacturing Co., of Houston. Marathon took it over in August, 1972, from a bankrupt John Brown & Co. with the aid of British government loans and grants.

Until the Americans arrived, the yard had faced extinction because of a slump in ship sales, vicious labor troubles caused by communist workers, and antiquated equipment and work practices.

Marathon has reached a peace settlement with the unions that has been generally effective in keeping a steady work force on the job, and it has completely redesigned and modernized the yard. Several platforms and drilling ships have been completed and rushed around the northern tip of Scotland to take up drilling in the busy North Sea.

PHOTO MONTAGE OF EMBOSSED INSCRIPTION ON AMERICA'S LIBERTY BELL (COURTESY — INDEPENDENCE HALL NATIONAL HISTORIC PARK)




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The same Whitechapel Bell Foundry is still making church bells — at the same site where the original Liberty Bell was cast. In late 1973 this 500 year old bellmaker was commissioned by the Limited Editions Collectors Society to cast 100 full-scale exact replicas of the famous bell for America's Bicentennial.

Because only 100 Bells will be available for delivery and installation before July 4, 1976, the Society is allocating two (2) bells to each of America's fifty (50) states and is currently accepting commissioning orders on a "first come — first served" basis.

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This worthwhile project has been given the recognition, sanction and endorsement of many organizations and official Government agencies. For instance, The Bicentennial Council of the Thirteen Original States, the non-profit organization comprised of state officials representing the Bicentennial Commissions of each of the thirteen original states, has designated the Whitechapel Bell Foundry as the "Official" bell-maker for America's Bicentennial. The administrators of Independence National Historic Park, where the original Liberty Bell is enshrined (operated by the National Park Service, U. S. Department of Interior) have also pledged their full cooperation in support of this Official Bicentennial Liberty Bell Project.

Whitechapel commenced the casting of the 100 bells in the spring of this year and several have already been shipped to the earliest buyers. The first bell was consigned to the Smithsonian Institute for display in their new "Symbols of America" Exhibit. Another has been delivered to Johnson City, Tennessee and is being used as the focal point of their new Liberty Bell Cultural and Educational Center. Yet another is on its way to the National Flag Foundation in Pittsburgh and will be installed in their Flag Plaza located in that city. A group in Philadelphia will soon be receiving their Bicentennial Bell for installation in a special "Liberty Bell Memorial Plaza" they have planned.

Local *Chambers of Commerce* are also among purchasers of the bells. For instance, the Chamber of Commerce in Memphis has ordered a bell for installation at the Liberty Bowl stadium. Another Chamber of Commerce group in Rockford, Illinois, are ordering a bell for permanent installation in a new Colonial Center currently under construction. Many local community and county Bicentennial Commissions throughout the USA are planning on obtaining one of these Official Bicentennial Liberty Bells.

Based on the rate of orders that have already been received, and the rapidly growing interest in our upcoming bicentennial, it will not be long before all 100 bells are subscribed.

So, if your local Chamber of Commerce, or one of your local Service organization or Veterans group is interested in obtaining one of these Official Bicentennial Liberty Bells for an installation in your community, we suggest that you write immediately for information about making your casting reservation.

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# In Debt to the Yankee Driller *continued*

could fuel the Industrial Revolution.

Says Eric Varley, Britain's Secretary of State for Energy: "It could not have come at a better time."

Industrial growth is zero in Britain and the balance of payments deficit has grown so large that only massive savings on purchases of foreign oil can hope to correct it. A $7 billion bill must be met for imported oil. Virulent unionism, antiquated management ideas, and worn-out equipment hold down nearly all phases of production. And, the social structure is so archaic it blocks economic mobility of two thirds of all Britons.

There have been rays of light in the handling of North Sea oil by Laborite Prime Minister Harold Wilson and his Tory predecessor, Edward Heath—though Mr. Wilson's government has changes in mind which would spell darker days ahead for the international oil giants. Terms laid out by both governments were such that the companies could justify gambling hundreds of millions of dollars on finding oil. They therefore rushed to drill. Now, Britain is about to profit along with the companies.

"Much credit for the rapid progress must be given to the governments of the North Sea countries," says Thomas D. Barrow, Exxon senior vice president. "The past United Kingdom leasing policies have been imaginative and extremely effective."

Deals for North Sea oil exploration were expedited. Drilling blocks were large enough to encourage multi-wells. Leasing terms and royalties were moderate and 100 per cent tax write-offs were allowed on capital investments. One provision allowed the writing off of drilling losses in other areas of the world against profits in the United Kingdom.

Byron O. Sims Jr., Mobil exploration and production manager for the North Sea, says: "Britain wanted oil fast and the government had respect for the oil companies. We like the block size—in many cases 10 times as big as in the Gulf of Mexico."

### "The blue-eyed Arabs"

Norway set tougher terms from the start, and also insisted on direct participation through a state oil company and more government control

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## They're in Debt to the Yankee Driller *continued*

of oil-related activities. As a result, the Norwegians have been called "the blue-eyed Arabs." But even their conditions were attractive enough to encourage speedy drilling by several companies and to assure the companies of profits.

Now, Britain is moving to tighten up on its arrangements.

The Labor Party, if it remains in office after the next general election, which is to be held Oct. 10, is expected to insist on a bigger cut of oil revenue—at least. Its election platform calls for establishing a corporation through which the government would take majority control of all of the nation's offshore oil resources.

During the general election last February, which Labor barely won, Prime Minister Wilson often mentioned the possibility of nationalizing North Sea oil. No such move has been made so far for at least two reasons: (1) Nationalization is not popular in Britain. (2) The Liberal Party of Jeremy Thorpe says it will vote along with the Conservatives in Parliament against nationalization—and this would have toppled the Labor government, which has been ruling without a Parliamentary majority (it's had only a plurality).

Pressure is already on the oil companies to hire more local workers and buy more equipment in Britain rather than bring it in from the U.S. And the British National Coal Board and Gas Council, quasi-governmental corporations, are taking more active roles in drilling consortia. But it seems obvious that nothing will be done to scare off the international oil giants, which have the expertise needed.

Radical Scots, who want to separate from England, talk about nationalizing the oil off Scotland, but so far this is only a cloud on the horizon.

Anyway, Americans and Scots get on famously together, and never better than in Aberdeen, Peterhead, Dundee and Nigg Bay, the main sites ashore for the oil business. Americans are here in the thousands —every Scottish village or fishing port has its Yanks. Children of American oilmen go to Scottish schools, which are excellent, and there is a large American school in Aberdeen. There's also an American club here, and many stores bring in American foods and goods to serve the oil families. Two large cruise ships were chartered by several American companies to serve as floating dormitories for construction workers.

Scottish police, who rarely take any foolishness from Scots, are known to be lenient on rugged, hard-drinking drilling rig hands when they come off the North Sea for a few days of leave on shore.

Elmer Adkins of Dallas, a drilling chief for Sedco, Inc., an oil drilling company, has scores of highly paid workers under him and reports: "Conditions on shore in Scotland are the best I've ever seen and I've worked in West Africa, the Middle East, New Zealand, Indonesia, and the U.S. including Alaska."

However, he adds: "Out there in the North Sea, conditions are the worst I've ever seen." END


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# I'll guide you **step by step** into your own thriving business

## ● While keeping your present job, would you like to gross $14 or $21 profit per hour?

*a true story by Bob Ferrel*



SOME YEARS AGO I was a printer in a small Michigan town. I drew a pretty fair pay check but it wouldn't stretch far enough to provide the kind of living I wanted for my wife and five children.

Then one day I was reading a magazine just as you now are and I saw an ad. It intrigued me. It offered me the steadily growing income I had always hoped for. It said I would have greater security and personal independence... and that's what I had been wanting.

I was a little skeptical, but I said to myself, "for a postage stamp I can find out." So I mailed the coupon. In a few days, I got a letter with a booklet that gave the whole story. It opened my eyes. I could see why owning my own business was so much easier than I had always thought . . . why the day to day guidance of a successful worldwide organization could assure my own success.

I read the booklet several times. It just seemed too good to be true. I talked it over with my wife. We decided that **now** was the time to make the forward step . . . there was no reason to keep postponing an income increase.

So, I applied for a Duraclean dealership and I was accepted. I stayed with my job . . . ran a few ads . . . sent some mailings . . . contacted a few stores and told my friends about the superior services I was now equipped to give them. Evenings and Saturdays, I rendered the service. As the business grew, I added servicemen.

I found that I didn't have to develop a single idea myself. Every step had been prepared for me and pre-tested. Hundreds of other men had already proven my methods successful.

It didn't take long to see that I was making three to four times (yes, 3 to 4 times) as much per hour in my own business as in my printing job. So, after only seven months with a good following of customers, I quit my job to go full time on my own. In the meantime, I had enjoyed all this extra income on top of my salary.

Each day, we realized what a **serious** mistake not mailing that coupon would have been . . . and how that little act that seemed so trivial at the time actually changed our lives.

The steadily growing income brought us many things we could not afford before. My efforts were so much more productive. I scheduled my time to my own liking. When we wanted a day or two off, we took it. I worked hard but, if I wanted to be home early or quit at noon, I did.

This is not a business for a lazy man. But if a man is ambitious and will work to deserve those nice things in life we all want, this business is made to order for such a man.

I became so enthusiastic about this business and so appreciative of what it had brought my family that, whenever a man opened a dealership near me, I helped him get a quick start.

The company learned about this and had each new dealer in my section of Michigan spend a day with me. One day the president of Duraclean Company asked me how I would like to move to Headquarters and spend my entire time helping dealers to increase their sales and profits.

That was good news to my ears. Since then I have worked with hundreds of our dealers in their own towns and at regional meetings, conventions and dealer group meetings. But much of the time I am right here at my desk in touch with our dealers by letter and telephone.

Incidentally I sold my dealership at a good profit. Dealers sell their Duraclean businesses for up to ten times their cost. After 30 months, Leo Lubel sold for $7,116 above his cost. If for any reason a dealer wants to sell, we maintain a service to locate buyers and help him sell.

Our job here at headquarters is to show each individual Duraclean dealer how to use his own abilities to bring him greatest success. I know hundreds of our dealers on a first name basis. We work together as one happy family. If you become a Duraclean dealer, I'll be as close to you as your telephone or mail box.

### It's Easier than You Think To Build Your Own Business

If you've wanted to BE YOUR OWN BOSS... to become financially independent and have a fast growing income, now YOU CAN. And you own a Nationally Advertised business.

You can stay at your present job while your customer list grows . . . then switch to full time, lining up jobs for your servicemen to do. One job a day brings a good starting income.

If you hire two servicemen (full or part time) while you keep your job, the national price guide provides you a gross profit of $14 an hour on their work and this is much easier to do than you think. **We show you how . . .** step by step. That's $490 for a 35 hour week.

Your gross profit on three servicemen is $21 per hour. Duraclean dealers find it easy to gross $7 per hour on EACH serviceman plus $12 an hour on any service they themselves render. The 24 page illustrated booklet we'll mail you (with no obligation) explains how most of your gross profit becomes **clear net profit.** Your income is limited only by the number of servicemen you employ.

You can operate from a shop, office, or your home. Equipment is light and portable.

At the start, you may want to render service yourself . . . or you can start with full or part time servicemen. This business is easy to learn . . . easy to start . . . so easy to service that women dealers do it. We prefer you have no experience . . . not have to "unlearn" old ways.

We are NOW enlarging this worldwide system of individually-owned service businesses. If you are reliable, honest and willing to work to become financially independent, we invite you to mail the coupon.

When you receive our illustrated booklet, you will see the way we show you **step by step** how to quickly get customers . . . and still more customers from their recommendations.

You have 7 superior services that are rendered "on location" in homes, offices, hotels, theaters, clubs, motels and institutions.

These are not ordinary services. You have the prestige and endorsement of leading furniture makers and carpet mills, of Parents' Magazine and McCall's, of Research and Testing Laboratories.

National magazine advertising explains superior merits of **your** services, builds **your** customer confidence and brings job leads to **you.**

We and a Duraclean dealer will train you and assist you. He'll reveal his successful, proven methods. You have pre-tested newspaper and yellow-page ads, commercials, and a full mailing program.

Stores, upholsterers, insurance adjustors, and decorators refer jobs to our dealers. These year 'round services are in constant demand.

### Start Small, Grow Big in this Booming Business

Many men have said to us, "I can't afford to give up my job till I know I have a sure thing . . . a sound business that will provide both security and a better living for my family."

That made sense to us so we worked out such a plan . . . and those same men are now enjoying a Duraclean dealership in many communities. You don't experiment. You use **tested, proven** methods. You have **our backing and "know how."**

Does this appeal to you? Don't decide now. Mail the coupon so you'll have the facts to decide wisely. There is no obligation. You'll then know whether this is what you want.

You can start small and grow big. A third century ago Duraclean was an idea . . . but it caught fire and spread to a world wide service. Why did it spread? (1) **superior processes.** (2) **proven customer-getting methods** (3) **Day to day guidance from Headquarters.**

Our first service, the care of upholstery and carpets not only cleans, it enlivens the fibers . . . revives dull colors. Pile rises with **new life.** There's no harsh machine scrubbing. No soaking. Mild aerated foam lightly applied lifts out dirt, grease, many unsightly spots like magic. Furnishings are used again in a few hours.

**Government figures show service businesses are growing faster than industries and stores . . . $750 million yearly potential just in rug and furniture cleaning. Your 6 other services are explained in the free booklet we'll mail you.**

**Less than $1500 establishes YOUR OWN business. A day's profit more than pays the monthly payments we finance for you.**

Men frequently take in partners.

We furnish electric equipment and, with first shipment, enough materials to **return your TOTAL investment.** If you have good habits and know the importance of customer satisfaction, you can likely qualify for a Duraclean dealership.

TODAY is the time to reserve a Duraclean dealership, **before** someone takes your location.

It's been said, "Opportunity knocks but once at every man's door." This could be that one rare opportunity in **your life.**

It is surprisingly easy to learn this business. You can decide from the information we will send you whether to apply for a dealership. So, with **no obligation whatever,** mail the coupon TODAY. Cut it out NOW so you won't forget to mail it.

## Mail this coupon TODAY

### It may put you in business

**Duraclean International**
**4-J10 Duraclean Bldg., Deerfield, Ill. 60015**

**With no obligation,** mail 24 page illustrated booklet telling how and why I can quickly increase my income and family security **while still employed,** how you'll help finance me. No salesman will call.

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*This is "George" with his creator, Dr. Michael S. Gordon of the University of Miami School of Medicine. He responds as a human patient would, giving medical students a chance to practice treating 50 different heart diseases.*

photo filed

# Diagnosing the Doctor Shortage

## Health care is one field where supply never seems to catch up with demand; here's how you can help

In 1953, a Presidential commission declared that we needed 24,000 more doctors than we then had—to maintain a ratio of 133 to every 100,000 Americans.

We now have a ratio of about 170 per 100,000—between 1963 and 1971 alone, the number of active physicians increased 56,961. Yet last year,

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JOHN S. MILLIS, PH.D., *author of this article, is president of the National Fund for Medical Education and chancellor emeritus of Case Western Reserve University.*

Congress declared we were 48,000 short of our needs.

By 1980, the number of active physicians will have risen 75,000 from the present 345,830, according to the Department of Health, Education and Welfare. Assistant Secretary for Health Charles Edwards suggests that in the following years we may have an actual surplus.

Perhaps so. We certainly must have enough at some point. But so far the shortage persists.

Why?

The problem is that we are shooting at a moving target. Our increasing affluence means that we want more and better of everything, including medical care. Millions who once would not have gone to the doctor, because they could not "afford" his services, now do so because their bills will be paid, whether directly, through private health insurance or through a government program such as Medicare or Medicaid.

### Knowledge explosion

Medicine's ever-increasing knowledge and skill further increases demand. Back in 1953, there were no open-heart operations, kidney transplants or angiograms. Today, many hundreds of doctors are doing such previously nonexistent work.

Public education has the same effect. Millions of women now have Pap smears taken regularly, hundreds of thousands of middle-aged men have preventive physical examinations, many people consult doctors on matters they once would have kept to themselves—obesity, psychological problems, sexual difficulties, alcoholism.

The federal government and some private groups are running a national campaign to seek out people with unsuspected hypertension, of whom there are believed to be 10 million or more. Good, but how many additional physician-hours will be needed to treat those 10 million when they are found?

And the effect is compounded. Presumably the doctors will keep them alive longer, thus requiring still more physician time because old people require more medical attention than the young.

Also, most treatment of hypertensives is rendered by primary physicians—family practitioners or general internists—and theirs is the medical capacity that is in shortest supply.

Indeed, we may have too many doctors in some other specialties. There are more neurosurgeons in Massachusetts (pop. five million) than in all of England and Wales (pop. 50 million).

While we are grateful for the availability of the specialist on the crucial, but happily rare, occasions when we need him, we clearly are in acute need of physicians of the first resort, who can take care of 85 per cent to 90 per cent of our ailments in the office.

Other specialties' attractions, including more money and greater prestige, have made the general practitioner an endangered species. There were 112,000 GP's in 1931, but only 52,330 at the beginning of 1973—and they were dying off or retiring at the rate of 2,000 a year. The recent recognition of family practice as a full-fledged specialty should help reverse this dismaying trend in time, but it offers no immediate panacea.

This year 1,771 young doctors are in graduate family practice training, but more than 50,000 interns and residents are heading for other specialties (though some of these—pediatricians, internists, obstetricians—must also be considered primary physicians for certain patients).

The geographic maldistribution of doctors is also well-known. At least 132 rural counties, with a combined population of 472,000, have no doctors at all. Similarly, the private physician has almost vanished from the inner city. The hospital emergency room and the clinic have become the family doctor to millions of city dwellers.

Present and proposed federal health care programs will not end the shortage and may intensify it. For example, if young doctors are drafted to go into underserved areas, or go there under contract to pay for





*More students than ever are undergoing the long, painstaking process of becoming doctors. But the demand is still outpacing the number of physicians we need.*

# Diagnosing the Doctor Shortage *continued*

their education, more medical manpower will be required.

The Health Maintenance Organizations (essentially prepaid group practice, but their very existence may part with federal assistance—are undoubtedly more efficient than solo practice, but their very existence may increase demand.

Orthodox economics is reversed in the medical field. Increasing supply



*Many foreign doctors study here, and often stay—filling some of the M.D. gap. Iran's Hassan Samadi (far right) is studying in Washington, D.C.*

does not necessarily slacken demand. At least up to a point, the increased availability of health care means more people will use it more often.

The new programs for training various kinds of doctor's aides will help stretch medical care, but won't do away with the physician.

Furthermore, in the many proposals for National Health Insurance, sensitive ears detect the ominous ticking of a time bomb. Such a program seems sure to come in some form, probably in stages over a number of years, with its ultimate promise being comprehensive, high quality health care for all. No one can foretell how many more doctors we will need as we approach that goal.

Our demand for doctors is already so great that we have been importing increasing throngs of foreign medical graduates, most of them from countries such as India, the Philippines, Thailand and Iran that need them far more than we do. This year it is expected that of those receiving their first licenses to practice in the United States, foreign medical graduates will outnumber Americans.

### Boom in the med schools

This is not because the schools have been idle. On the contrary, in 1959, 85 U.S. medical schools graduated 6,680 M.D.'s. Last year, 99 schools granted 10,391 M.D. degrees. Now there are 114 schools.

In 1980, U.S. schools will be graduating 15,670 physicians.

Expansion to this point has been accomplished at heavy cost to the schools. Not only have new classrooms and laboratories had to be built to accommodate the extra students, but faculties have had to be enlarged to teach the ever-growing body of new knowledge. A few years ago, departments or sections of nuclear medicine, environmental medicine or neonatology could not have existed, but they do now.

Also, teaching hospitals had to be expanded and modernized. Increasing the enrollment of disadvantaged students meant heavy expenditures for recruitment, remedial teaching and scholarships. And shortening the period of undergraduate medical education to meet the demand for "more doctors faster" increased costs further.

At the same time, many university medical centers were responding magnificently to the demands of their communities for increased service, though that service is seldom fully paid for. New York's Mt. Sinai medical center is "family doctor" to 160,000 poor residents of East Harlem. Last year, on its outpatient service, it lost $3.5 million—which must be made up by private philanthropy.

The federal government has indeed paid the bill for much of the medical schools' added costs, but in almost no instances do its grants equal the full amounts. Uncle Sam likes to buy health care on the cheap.

Result: The more that medical schools respond to the demands upon them, the greater the financial bind in which they find themselves. A new study of 12 schools shows that it costs from $16,300 to $26,400 a year to educate one medical student; he pays (if he *does* pay) an average of $2,800 in tuition and fees. If the school is expanding, the federal government pays it $1,700 for each additional student.

Question: Who makes up the difference?

Small wonder that at least 13 schools are currently "faced with a genuine survival problem," according to the American Medical Association.

### A job for the private dollar

To the extent that federal support is insufficient, the slack must be taken up by the states, the private sector and patients. Many states currently have budget surpluses. Since more than half of our medical schools are state institutions, there is a clear opportunity for much help here.

In addition, corporations, foundations and individuals must increase private contributions to medical education.

While private money can never substitute for the amounts that must come from tax sources, it can accomplish important things that the public dollar cannot.

The fact that politicians have a natural interest in the short-term, highly visible and therefore politically profitable goal leaves a vacuum that can be filled only by philanthropy.

Government responds to today's crises; private interest can address the future.

Let me give just three examples of current projects that are being supported by private philanthropy:

- A great scientist or clinician is not always naturally a great teacher. At the State University of New York, Stony Brook, a "self-and-peer evaluation of faculty teaching" program is under way. A teacher is videotaped in action; later he and his colleagues view and criticize the tapes in an attempt to improve his academic performance.
- Virginia has 937,067 people living in poor, rural areas. These areas pro-

duce 2,750 potential medical students annually, but in 1970-71, only 21 actually went to medical school. The University of Virginia School of Medicine is sending representatives to every high school in these areas to identify potential medical students and to enlist the support of guidance counselors in encouraging more of them to go to medical school.

• Teaching the diagnosis and treatment of heart disease requires bringing together at one time and place a teaching physician, a student and a patient with the appropriate illness who is both willing and strong enough to be a subject. These conditions are often difficult to attain. Many students may never see rare heart ailments.

To remedy this, a University of Miami cardiologist, Dr. Michael S. Gordon, has created "George," a dummy who is capable of having 50 different heart diseases. For any one, he produces on demand a computerized case history and all symptoms—sounds, pulsations, skin color, breathing.

George responds to treatment just as a live patient would; if a student goofs, he knows it at once, because George "dies" (but lives to "die" again). After two years of evaluation, and possibly some fine tuning, there may be Georges to teach students everywhere. George may also be useful in assessing the clinical competence of practicing physicians.

**Patients and education**

One final point: More than 50,000 interns and residents are receiving postgraduate training and also rendering service in our teaching hospitals. Should not the patient who benefits from the service pay a few dollars toward the education?

We think nothing of paying for the training of General Motors employees in the price of a Chevrolet. Why not apply the same principle to the doctors who will be caring for our children?

Where else than in medical education can a dollar produce so much improvement in the quality of life for everyone? If we are dissatisfied with the health care system of today, we must do what needs to be done for tomorrow. END


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# New York State. It means business.

# THE CLIMATE ABROAD: Brazil



*Firestone's huge tire plant is one reason São Paulo is a booming industrial city.*

There are still an awful lot of coffee beans in Brazil, but the country is also a new industrial giant. And a national effort to become wealthier in the years and decades to come has displaced the critical mix of disorderly politics and untamed economics of a decade ago.

The exultant symbol of the country's economic take-off is gleaming Brasília, the new capital in the long-neglected interior. Though only 14 years old, the metropolis, located in a refreshing upland climate, already has a population of almost 800,000. It is the world's most completely planned major city, a prototype of cities of the 21st Century.

The old Brazil is not entirely gone. You can still hear the samba, experience Carnaval, and bask on Copacabana, the beach in Rio de Janeiro that used to mean "Brazil" to visitors.

*Prepared in cooperation with the American Chambers of Commerce for Brazil.*

But younger Brazilian entertainers are playing the bossa nova, a modern version of the samba that was thrust into international prominence with "The Girl From Ipanema," a title that itself is evidence of change —for Copacabana is now passé and the new "in" place for swingers is Ipanema, farther from the center of fast-growing Rio.

Now the bossa nova is beginning to fade before the pa-tro-pi and other forms of avant-garde experimental music. This shift to more sophisticated and faster musical forms is yet another symbol of the expansion and modernization of a country with more than 100 million inhabitants and 3.3 million square miles—figures that make Brazil the world's seventh nation in population and fifth in land area.

The last word in the title of an old movie, "Flying Down to Rio," could be replaced nowadays by the name of any one of a dozen Brazilian cities with comparable attractions for pleasure-seekers or investors. They include São Paulo, on its way to becoming the world's most populous city; Brasília; Pôrto Alegre, near a gigantic new ocean port; Belo Horizonte, a magnet for new industry; Salvador da Bahia, hub of the country's oil refining industry; Recife, home of the spectacular new headquarters building of the Northeast Development Agency; and Belém (Para), focal point of investment in Amazonian minerals.

Pacing what is popularly called the "Brazilian Miracle," the GNP has rocketed to more than $60 billion, after Brazil chalked up annual economic growth rates of approximately 10 per cent for five consecutive years.

Transportation, electric power, mining, steel and other light, medium and heavy industries are cropping up all over the country.

The streets of a dozen major cities are choked with Brazil-made automobiles, and people both in Brazil and

abroad are using an ever-increasing number of Brazilian products.

Brazilian executives and foreign executives working in Brazil are reputed to have higher living standards than their counterparts in the United States or Europe, and a rapidly rising middle class is making its weight felt. Technical institutes, universities and other schools are desperately trying to expand facilities to keep up with the demand for professional, technical and skilled managerial personnel—though so far demand is still far ahead of supply.

The new President, Gen. Ernesto Geisel, has promised to work for social goals such as a more equitable distribution of the country's wealth.

A hopeful sign is the government's policy toward galloping inflation, long a way of life in Brazil. A decade ago, the annual rate reached close to 100 per cent. Then, under three Presidents, it was cut significantly—down to the 14 and 15 per cent range. Last year's oil crisis upset that apple cart, though remedial measures taken should hold the rate to 30-35 per cent by the end of the year.

For the past several years, a system of monetary correction—"indexing" of fixed assets, investment paper, saving deposits, debts owed and even working capital—has been used in order to minimize the prejudicial effects of inflation on business and investment. Coupling this with the introduction of a so-called "crawling peg," or gradual, regulated devaluation of the cruzeiro (Brazil's currency, presently worth about seven to the dollar), the country has managed to create a workable economy. The international confidence generated by such stabilizing policies resulted in foreign investments of about $5 billion in the past five years, and another billion is expected this year.

Brazil must import two thirds of its petroleum needs, and the havoc created in the country's foreign trade by the oil crisis is having repercussions throughout the whole economy.

Until this year, foreign trade had boomed along with the economy and was generally favorable for Brazil. Last year, for example, imports were $5.9 billion, and exports $6.1 billion, both figures up roughly one third over 1972. But a directional change in trade flow has occurred. In the first five months of 1974, commodity imports increased 120 per cent in value, and exports only 25 per cent—heralding a trade deficit for the first time in many years.

This sharp deterioration in Brazil's trade balance is largely beyond the control of the Brazilian government. About half the additional cost of imports is blamed on the high price of petroleum. Much of the remainder is attributed to increased use of metals—particularly steel—and chemicals, and to a lag in domestic production of these lines.

But among all Latin American countries, Brazil is the No. 1 magnet for foreign investment. Its problems are relatively small compared to the political and economic unrest in some other hemisphere countries.

Brazilian Minister of Industry and Commerce Severo Gomes describes his country's position this way: "We neither have nor want to have any kind of discrimination against foreign capital. We only want to see this capital . . . invested in accordance with the priorities established for the country's development."

The government provides enticing tax and other incentives for industry, whether national or foreign, establishing priorities for such areas as the poverty-stricken Northeast and the virtually unpopulated Amazon jungle. Other than requiring foreign companies to take on Brazilian partners (either private, or, with increasing frequency, state-run entities) the government poses few restrictions on incoming foreign capital.

Americans, traditionally big investors in Brazil, still have the major share of the foreign capital in the country. Canadians, and Germans and other Europeans, are also well established. The Japanese have moved in heavily in the last few years and are expected to make the heaviest investments this year, followed by West Germany, Italy, France and the United States. Britain, Sweden, Switzerland and even Venezuela have committed themselves to invest in Brazil this year, and Arabs have recently been probing into investment possibilities in construction, hotels and the whole service industry.

Brazil is sixth among countries receiving American investment. U.S. capital has usually gone into heavy industry, cars and appliances, but recently has been concentrated in minerals (iron, bauxite, tin), tourism and agriculture. Big American hotel chains are opening up, or building, and General Foods, the King Ranch and others are setting up cattle ranches, farms and food-processing plants.

The Japanese are into shipbuilding, steel, lumber and pulp, and are trying to invade the financial sector. West Germany, with more of its money invested in Brazil than in any other country, has the auto industry (Volkswagen and Mercedes Benz), steel, appliances and industrial machinery.

Italy is opening up two auto plants—Fiat and Alfa Romeo—and expanding its present Pirelli tire and Olivetti office machines plants.

Because Brazil is smarting from rising costs of petroleum, the government is pushing for rapid development of industries to reduce costly imports of petrochemicals. It is also laying heavy emphasis on agribusiness investments to boost its lagging agricultural sector.

According to private bankers, the following are the best bets for investment opportunities in Brazil:

- Middle-term (five to 10 years): Durable consumer goods, which should experience a boom when in the next few years the national income becomes more evenly distributed.
- Long-range investments: Mining, lumber, cattle, farms. Bankers say mining development in Brazil during the next two decades will be comparable to that in Canada and Australia in the previous two. And lumber, cattle and agricultural development will benefit from government priorities.
- Traditional investment sectors: The auto industry, shipbuilding and railroads will all continue to receive foreign capital.
- Middle-size investment with quick returns: Tourism. The American Society of Travel Agents will hold a congress in Rio de Janeiro next year, and everyone predicts a tourism boom after that.

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This Month's Guest Economist
**Dr. Albert M. Wojnilower**



*Dr. Wojnilower, a vice president of The First Boston Corp., New York underwriters, specializes in government securities and money markets.*

# The "Fed's" Zigs and Zags

Every Friday, the financial pages of the country's major newspapers report the latest doings of the Federal Reserve and the banking system, based on figures distributed to the press at the Federal Reserve Bank of New York.

From these accounts the reader might sometimes derive the mistaken impression that Federal Reserve policy is formulated and reformulated day by day in response to the latest market developments. But much of what the "Fed" does each week that makes the headlines is routine monetary housekeeping and sheds little light on its more fundamental objectives. What are these objectives, and how do they guide the Fed's day-to-day operations?

Since early 1970, the Federal Reserve has concentrated on trying to maintain stable growth rates in something called the "monetary aggregates"—various statistical combinations of different kinds of deposits and currency owned by the public. The most significant and closely followed such aggregate is the money stock, "$M_1$" for short, which consists of the public's commercial-bank checking accounts plus the paper currency and coin in cash registers and people's pockets.

When the quantity of money grows in excess of need, businessmen and consumers are prompted to step up their buying of goods, services and securities. A shortfall of money, on the other hand, will make them hold back on their spending until they have rebuilt their cash balances to satisfactory levels. If the $M_1$ growth rate could be kept reasonably steady at a moderate pace, major inflations and recessions might be avoided.

Before 1970, the Fed placed more emphasis on interest rate targets and much less on the monetary aggregates. Nor did it particularly aim for stable interest rates. It promoted higher interest rates to temper booms, while bringing interest rates down to help stimulate the economy during recessions. The shift in emphasis away from interest rates toward stable money supply growth came as the outcome of a prolonged and bitter scholarly debate as to the most efficient and effective method of regulating the economy, a debate in which important aspects of the "monetarist" approach, identified with Prof. Milton Friedman of Chicago, prevailed over the so-called "fiscalist" or more Keynesian approaches that had been dominant since the Depression.

For several years now, the central bank's longer-range objective has been to keep the money stock growing at about 5 per cent to 6 per cent annually. But in the short term this is easier said than done. Does an annual 5 to 6 per cent growth mean a prescribed dose of increment on a quarterly, monthly, weekly, daily or even hourly schedule? People use their checking accounts as financial buffers: Unanticipated receipts may swell individual cash balances, while unforeseen expenses will reduce them. Random fluctuations are likely to be great. Day-to-day, week-to-week and month-to-month seasonal swings—around tax time, for example—are large and erratic. Moreover, while reports of daily deposit levels are received from banks which are members of the Federal Reserve, the thousands of banks which are not members—and which hold over 20 per cent of the demand deposits in the money supply—only report their figures for four days out of the year. (Plans are under way, however, to increase the frequency of nonmembers' reports.)

Thus even timely measurement, much less control, of short-range money stock fluctuations has been impossible. Furthermore, the behavior of other monetary aggregates (labeled $M_2$, $M_3$, etc.) that the Fed also considers important may at times contradict that of the money stock.

At meetings held every four weeks of the Federal Reserve's most important policy-making organ—the Federal Open Market Committee, comprising the seven members of the Federal Reserve Board and five of the 12 regional Reserve Bank presidents—much of the discussion may well revolve about how the Fed ought to respond to monetary aggregates that have strayed off the planned path.

Decisions at these Washington meetings will be heavily influenced by what is happening to the business situation and to the price level. If unemployment is high and rising, for example, shortfalls from the desired growth in the money aggregates will be combated aggressively, while overruns that are believed temporary will be readily tolerated. When the economy is very strong, on the other hand, the Committee's agents at the Federal Reserve Bank of New York may be instructed to err on the side of tightness rather than of ease.

The FOMC will also have to be concerned about market reactions, since the market usually quickly discerns what is happening and tends to run ahead of the authorities. Sometimes, policy shifts are really initiated by the money and bond markets in anticipation of Fed action. Suppose, for example, that the economy appeared to be teetering on the brink of a recession. Confidently expecting an easier Fed posture, the market might bid interest rates down. Even though the Fed considered this premature, it might be reluctant to stand pat when its failure to supply more money could send a disappointed market through the wind-

shield, drive interest rates up again, and possibly risk a more serious economic setback than seemed to threaten originally.

What does the FOMC actually do when, let us say, it finds recent monetary growth rates to be excessive? It orders its "trading desk" in New York to become more stingy about supplying reserves to the commercial banks. Now, the banks will have to scramble for funds and restrict their lending and investing. Short-term interest rates will be pushed up, and monetary growth will eventually slow down if the policy is pressed hard enough.

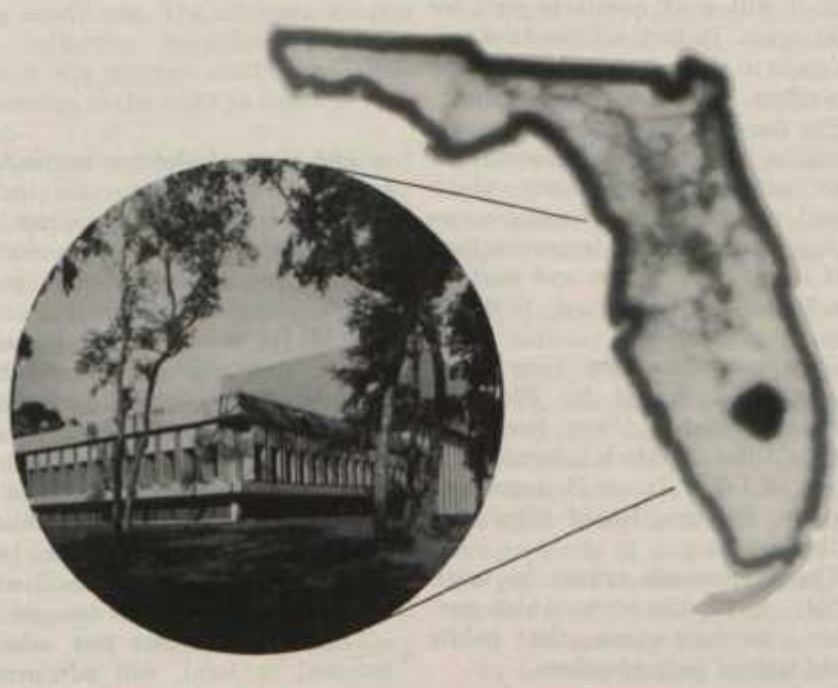
Conversely, when the FOMC wishes to speed up monetary growth, the desk will supply reserves more freely. Between one FOMC meeting and the next, the desk must make dozens of decisions in reacting to specific situations within the broad guidelines the FOMC has laid down.

The Federal Reserve regulates the quantity of bank reserves by buying or selling Treasury securities in the open market. The desk must decide every day whether and what to buy or sell, and exactly how much. Banks must have reserves because they are required by law to maintain reserves equal to a percentage of their deposits (currently 8 to 18 per cent of net demand deposits, depending on the size of the bank, and 3 to 8 per cent of time deposits). However, today's required reserves are calculated not on the basis of today's deposits but on those of two weeks ago. Since the level of deposits two weeks ago is an unalterable fact, the Fed really has no choice but to let the banks have all the reserves they need to comply with the regulations. What it can do, however, is to decide how much trouble and expense the banks will have to go to in order to obtain the necessary reserves in the marketplace or by borrowing at the Fed's "discount window." This mechanical aspect of money management helps explain why the Fed is so often in the position of correcting rather than forestalling departures from its monetary targets.

Clearly, the Fed has imposed on itself a very tough assignment, one that necessitates a good deal of zigzagging likely to draw hostile fire from monetary "doves" as well as "hawks." The temptation to let the monetary horse run where it wills, when every tug at the reins may unloose a harsh political backlash, must be great indeed. But today, if the horse were left unchecked, inflation might well run away—at 12 per cent inflation, for example, the purchasing power of money halves in six years. Soon all but the most myopic individuals would start to think of money as becoming rapidly worthless, a development that would have shattering industrial, political and social consequences.

Printing-press inflation is by no means inconceivable; let us hope the Fed continues to resist strenuously the pressures in that direction.


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# Arbitration Is No Bargain

PHOTO: BARRY BLACKMAN

## It's often heralded as a panacea for the strike problem; but is it?

Big steel companies and the United Steel Workers have been praised extensively for agreeing last year to submit to arbitration any issues they could not resolve when the time came to negotiate a new labor contract. Thus, they virtually guaranteed that there would be no strike or lockout in the steel industry.

Then, management and labor successfully reached a new agreement without need to resort to the arbitration machinery they had established. Thus, many say, the steel industry has found the way to make collective bargaining work—without crippling shutdowns.

However, one swallow doesn't make a summer.

Both the steel companies and the USW were committed to making their new procedure work the first time, at least, without arbitration. But because it worked once, there is real danger that local, state and federal legislators may conclude that the formula should be universally accepted—or imposed by law.

There is, of course, no proof that an advance commitment to binding arbitration of issues will work for others as it did for steel. Nor even that it will work similarly well for steel again. In fact, all the hard evidence is to the contrary, because the procedure itself is basically wrong.

For the past half dozen years, particularly since 1970, legislation has been pending in Congress which would outlaw strikes by employees in key industries, like transportation, and require that wages and working conditions be determined, if necessary, by arbitration.

Such proposals have been introduced or supported by President Ford, ex-President Nixon, Sen. Robert P. Griffin (R.-Mich.), former Secretary of Labor James Hodgson and Federal Reserve Board Chairman Arthur Burns.

These proposals cannot be taken lightly. Any major strike which seriously inconveniences the public could trigger their adoption.

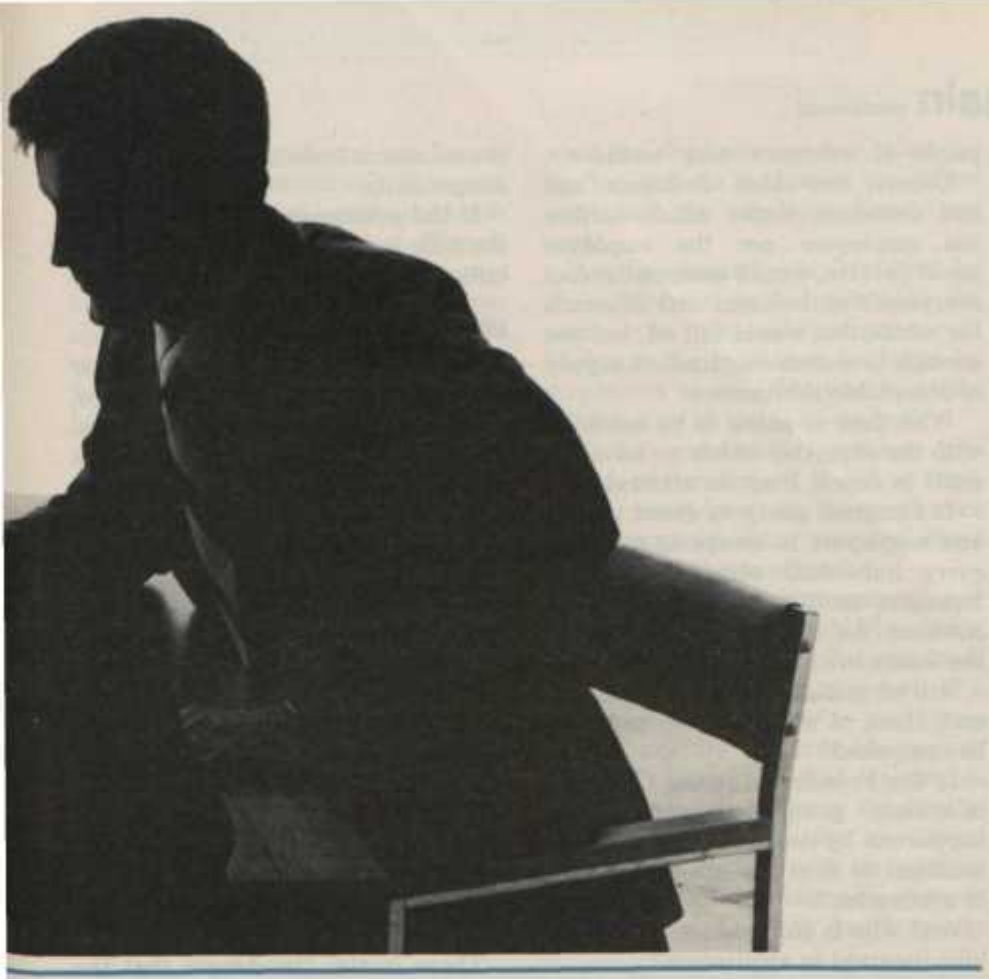
In the meantime, some city, county and state employees, particularly fire fighters, are sponsoring legislation requiring that the terms and conditions of their employment be established by arbitration rather than by elected officials.

Publicity favoring these proposals stresses that arbitration would make it unnecessary for public employees to imperil the public interest, even temporarily, by striking. It also reveals, by implication, that these employees do not trust the public to elect a state legislature, county board of supervisors or city council which is sympathetic to their demands.

Legislation of this sort, whether national or local, will not prevent strikes but will destroy collective

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RAYMOND A. SMARDON, *author of this article, is president of the Industrial Employers and Distributors Association, Emeryville, Calif., which negotiates labor contracts with 113 local unions in northern California for nine cities and some 300 companies.*



bargaining as we know it today and cause immeasurable other damage to our economic and social system.

Unionization, and collective bargaining between employers and employees, have been encouraged in the United States as the most acceptable way of determining wages and working conditions. The ultimate weapon in collective bargaining, without which the process would have little meaning, is the right to strike or lock out.

Arbitration has been encouraged as the way to settle grievances involving interpretation or application of a contract arrived at by collective bargaining. It has not generally been used to dictate the terms of the contract itself.

Unfortunately, the ability of employees to strike and the ability of employers to withstand strikes, or to lock out, are seldom in balance.

Employer strength in recent years has been at low ebb, with many employers concluding that they cannot or will not take a strike. Sensing this, employees have increased their demands, and the price at which they will settle.

The costs of these more expensive settlements, of course, have been passed on to the consumer. They have also tended to evaporate some of our export markets and have contributed to the dollar's devaluation.

**A cure for strikes?**

Proposals to deprive employees of the right to strike and to require them to submit their demands to binding arbitration are being advanced as a solution to these problems. Those who advocate such a solution naïvely believe that employees can be required to accept whatever wages and other conditions of employment are dictated by an arbitrator.

This simply is not true. Anybody who believes employees will refrain from striking if it's declared illegal is ignoring substantial evidence to the contrary. The experience of states in which public employees, including schoolteachers, are already denied the right to strike is that strikes occur regularly in violation of the law. No practical means of enforcing laws against strikes have yet been discovered. Nor are they likely to be.

In banning strikes by public employees, most states admittedly did not substitute binding arbitration of issues, nor provide any other alternative for settlement of disputes. Thus, it can be argued the employees either must violate the law or accept whatever the school board, city council or board of supervisors offers.

However, this cannot be applied to the State of New York. There, what amounts to binding arbitration for public employees, together with a prohibition against strikes by them, has been in effect since 1967. In the past six years, there have been 15 strikes by public employees in violation of state law in New York City alone. These strikes involved a total of 109,116 employees, and an aggregate loss of 2,119,905 man-days of work.

Eighty-eight per cent of the man-days lost occurred in strikes against the board of education and other state-chartered authorities which are not under the city government's control. But they were strikes by public employees against the public's representatives.

What about other countries?

Backers of issue arbitration cite Australia, which has had compulsory and presumably binding arbitration of labor-management disputes since 1896. What they find encouraging in the Australian experience has eluded scholars of labor-management relations.

Fourteen years ago, in "Changing Patterns of Industrial Conflict," Paul T. Hartman and the late Arthur M. Ross reported: "The proportion of nonagricultural employees involved in strikes [in Australia] has been among the highest in the world [despite the fact that] the state and federal governments administer a compulsory arbitration system which is the dominant factor in setting wages and employment conditions."

For the period 1969-72, man-days lost to strikes in Australia—when all strikes of less than 10 working days are excluded—averaged over two million per year, or approximately one half day a year for each wage- and salary-earner in civilian, nonrural employment. This experience would appear to be no better than the experience of the United States during the same period.

Including strikes of short duration

# Arbitration Is No Bargain *continued*

(which Australia omits from its figures, but of which it apparently has quite a number), working time lost due to strikes in the United States in 1969-72 averaged slightly over five hours per year, per employee. In 1972 and 1973, time lost declined to something less than three hours per year, per employee.

### Too few to go around

Any proposal for mandatory arbitration legislation assumes there are enough qualified arbitrators around to supply the demand. This is just as incorrect as the belief that compulsory issue arbitration will avoid strikes. Although the American Arbitration Association and the Federal Mediation and Conciliation Service maintain lists of approximately 1,500 people who are presumably qualified and willing to serve as arbitrators, 80 or 90 per cent of all grievance arbitration in the country today is handled by fewer than 200 arbitrators. Not more than half of them would be accepted for arbitration on issues, even if issue arbitration were mandated by law.

Hence, the initial impact of such a law around the country would be staggering. Thousands of negotiations would wind up in arbitration, as employees—and to a lesser extent employers—experimented with the new toy. Most of the disputes would involve multiple issues, take months to hear and involve thousands of pages of evidence and testimony.

Delays, one-sided decisions and bad decisions, under which neither the employees nor the employer could survive, would eventually cool everyone's enthusiasm and demands for arbitration would fall off, but not enough to match the limited supply of acceptable arbitrators.

Who then is going to be anointed with the expertise which we have the right to expect from an arbitrator?

Is Congress going to direct unions and employers to accept as qualified every individual who has had the foresight to list himself with the AAA or the FMCS, irrespective of the issues involved?

Are we going to have examinations and, if so, of what are they going to be comprised?

Is the President (or the Governor of a state) going to reward political supporters by declaring that they are qualified to earn the substantial fees of arbitration?

And who is going to pay the hefty bills incurred in arbitration?

Not all employers are wealthy; neither are all unions.

On grievances, arbitrators' fees will average $400 or $500 a day; for issue arbitration they are usually much higher. There are court reporters; transcripts; costs of presenting one's own case, which may involve employment of outside counsel; costs of gathering and presenting evidence and costs associated with having witnesses absent from their regular work assignments.

If the government proposes to pay the bill, it will cost taxpayers a few billion dollars a year.

### Who names the referee?

If, in the absence of the parties' ability to agree upon an arbitrator, one is to be appointed, issue arbitration could become a political game. The final score might well be determined by which party has the inside track on naming the referee.

Arbitrators show personal prejudice, or at least patterns in their decisions. Some are soft on money, some on discipline—each has his own characteristics. Thus, logically, without fraud of any sort, the outcome on any issue often can be accurately predicted as soon as one knows who the arbitrator will be. That, of course, is the primary reason why unions and employers have so much difficulty in agreeing upon one.

There is also the danger that the government might dictate policy to those arbitrators who wish to remain in favor with whatever authority is responsible for their appointments, their case load and, consequently, their income.

Probably 95 per cent of all contract settlements today are negotiated without a strike. If legislation is passed which requires the parties to arbitrate the issues on which they differ, at least a third, perhaps even a majority, of all negotiations will wind up in the hands of an arbitrator.

Any union or any employer that knows there is a possibility of arbitration will not bargain to reach a settlement. The name of the game will be to position oneself for arbitration.

If arbitrators are to be offered a succession of cases and the continuous employment which results therefrom, they must maintain some degree of acceptability to both unions and employers. This won't happen if they decide all the issues for or against the same party. Hence, arbitrators split the difference whenever possible—40 or 60 per cent to the employer, 40 or 60 per cent to the union.

## GOVERNMENT WORKERS' WALKOUTS: UP

Public employees show a growing willingness to hit the bricks.

In 1960, the Labor Department reports, there were 36 strikes by government employees with a loss of 58,400 man-days. In 1970, it adds, the number rose to 412, with a loss of 2,023,000 man-days.

With few exceptions, federal employees have obeyed Washington's ban on walkouts. Thus, the increase lies primarily with state and local government workers.

In most states, these strikes are against the law, an article, "Public Sector Strikes—Legislative and Court Treatment," points out in the September issue of the Department's *Monthly Labor Review*.

Seven states, it notes, permit their employees a limited right to strike. It adds that in other states, where strikes are illegal, some courts have refused to grant injunctions against them.

For example, it says, the Michigan Supreme Court has ruled that the state's ban on public worker strikes does not compel a court to enjoin one unless it is accompanied by "violence, irreparable injury or breach of peace."

Because the arbitrator can be expected to give something to everyone, the professional negotiator headed for arbitration will keep a bunch of "losers" on the table. In that way, he can be turned down on 60 per cent of his demands and still obtain virtually everything he really needs. What he hopes is that he doesn't win his losers—and lose the issues which are important.

Some who understand the problems associated with this kind of jockeying for position, but nevertheless favor issue arbitration, have made this suggestion: Limit the arbitrator to accepting in its entirety either the union's final proposal or the employer's final offer.

The theory, of course, is that neither the union nor the employer would dare to be too extreme in its final stand for fear of losing everything.

As in all other forms of issue arbitration, there is a presumption here that a third party can determine what the employer can pay, what the market and the customers can afford and what the employee should accept.

Any substantial miscalculation by the arbitrator, or by either of the parties to the arbitration, could bankrupt the employer, be taken by employees as an invitation to strike in violation of the law—or both.

If the employer's position prevailed, particularly if it did so three or four years in a row, the employees would receive nothing over and above what the employer offered.

Under those circumstances, any strikes that occurred would be almost impossible to resolve. No employer and no court is going to put all of a company's—or a city's—employees in jail, nor are our jails big enough to hold them all. Yet employees could not be allowed any substantial gains as a reward for an illegal strike. In addition, with its position upheld in arbitration, management would be hard put to justify costly improvements on that position—to its board or its customers.

We must recognize that alternatives to the right to strike are not only unenforceable but extremely dangerous. They deprive both the employer and his employees of their rights of self-determination. And they place that determination with someone who is presumably impartial but knows less about the situation than those who have to live with his decision.

Employees may see in issue arbitration another opportunity to get what they want, recognizing that they can still strike anyway, if the ultimate decision is not acceptable. But corporations' stockholders—or the public—have nothing to gain by supporting it.

While collective bargaining may at times inconvenience and outrage the public, and sometimes the parties to the process itself, it remains the best system so far devised to resolve the issues with which it deals. END


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IE Florida Department of Commerce ..... 79
*Arthur L. Gray and Associates, Inc.*

Fort Howard Paper Company ..... 38-39
*Marsteller Inc.*

IE Georgia Power Company ..... 44Q
*Lowe & Stevens, Inc.*

R GRT Corporation ..... 33C
*Communications Plus*

IE Gulf Power Company of Pensacola ..... 44
*Cargill, Wilson & Acree, Inc.*

R Harleysville Insurance Company ..... 35E
*Boringer-Kaplan Advertising Inc.*

Home Insurance Company ..... Cov 4
*Albert Frank-Guenther Law, Inc.*

House of Almonds ..... 60
*Bozell & Jacobs, Inc.*

R State of Indiana ..... 65K
*Handley & Miller, Inc.*

Insider's Report ..... 84
*Comprise, Inc.*

IE International Business Machines Corporation ..... 44M-44P
*Chapman Direct Marketing Inc.*

International Telephone & Telegraph ..... 55
*Needham, Harper & Steers Advertising, Inc.*

R Jack Daniel Distillery ..... 17A
*Gardner Advertising Company Inc.*

IE City of Jacksonville ..... 44U
*William Cook Advertising, Inc.*

R Johnson & Johnson ..... 33D
*Cummins, MacFail & Nutry, Inc.*

Kansas Department of Economic Development ..... 85
*Patterson Advertising Agency*

IE Kentucky Department of Commerce ..... 67
*Rogers & Brothers, Inc.*

Lathem Time Recorder Company ..... 85
*George & Glover*

R Limited Editions Collectors Society ..... 65L
*International Management & Marketing Group, Inc.*

IE Louisiana State Department of Commerce & Industry ..... 44S
*Bud Hebert & Associates*

R M & S Hirschhorn, Inc. ..... 29N
*Direct*

IE Massachusetts Department of Commerce & Development ..... 44E
*Chirurg & Cairnes, Inc.*

R McCollough Construction Company, Inc. ..... 69O
*Spectrum Advertising, Inc.*

IE State of Missouri ..... 46
*D'Arcy-MacManus & Marius*

National Counselor Reports, Inc. ..... 84
*Adbuilder Agency*

IE National Truck Leasing ..... 44F
*David W. Evans, Inc.*

NCR Corporation ..... Cov 2
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IE New York Department of Commerce ..... 73
*Rumrill-Hoyt, Inc.*


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Phoenix Mutual Life Insurance Company ..... 5
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Postal Finance Company ..... 84
*John D. Morgan, Inc.*

IE Randustrial Corporation ..... 44X
*Mt. Pleasant Advertising, Inc.*

REA Express, Inc. ..... 23
*Nolan/Johnston, Inc.*

R Republic Steel Corporation ..... 51I, 51J
*Meldrum & Fewsmith, Inc.*

Richmond Redevelopment Agency ..... 66
*Public Relations Pacific*

Safeco Corporation ..... 27
*Foote, Cone & Belding Advertising, Inc.*

Sea Pines Plantation ..... 45
*Barton, Campbell and Reilly, Inc.*

IE Snelling and Snelling ..... 44Y
*Eve Mattern & Babb*

IE South Carolina State Development Board ... 44W
*Cook/Ruef & Associates*

Star Manufacturing Company ..... Cov 3
*Christenson, Barclay & Shaw Inc.*

Three M Company ..... 49
*D'Arcy-MacManus & Masius*

Underwriters Laboratories ..... 10
*Needham, Harper & Steers Advertising, Inc.*

IE Union Planters National Bank ..... 44H
*Tucker Wayne & Company*

IE West Virginia Industrial Development ..... 44AA
*The Robert Goodman Agency, Inc.*

IE Wheels, Inc. ..... 44I
*Marvin H. Frank Co., Inc.*


KEY
R-Regional
IE-Industrial Edition

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The Chartmakers Inc.
Chicago Title Insurance Company
Cleveland Electric Illuminating
Cleveland Trust
Cleveland Tuxedo Shops
Commonwealth Edison
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Detroit Bank & Trust
Drovers National Bank
Duquesne Light

Eastman Chemical Products, Inc.
Enviro-Scope Corporation
Equibank
Euclid National Bank

Financial Guardian Insurance Agency, Inc.
First City National Bank of Houston
First National Bank of Boston
First National Bank of Chicago
First National Bank of St. Louis
Ford Motor Land Development Corporation
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Greater North Lake Tahoe Chamber of Commerce
Grouse Scotch

Harris Bank
B. W. Harris Mfg., Co.
Hiram Walker Importers, Inc.
Hyatt Regency Los Angeles

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Kulov Vodka

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London Fog

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Mellon Bank
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State of Ohio

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Shelter Bay
Sheraton-Lakeside-Inn
Sheraton Oak Brook/O'Hare North
Snelling & Snelling/Partime
Society Corporation
Southwestern Bell
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# BUSINESS: A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

## Brighter Outlook for Sellers to Uncle Sam

Businessmen who must grope through a welter of regulations in order to sell to Uncle Sam—such sales total $60 billion annually—can see light at the end of the tunnel with the establishment of a long awaited and badly needed Office of Federal Procurement Policy, which will focus on standardizing rules and procedures.

Congress, in passing the bill creating the agency, included some carefully concocted provisos designed to ensure that the Legislative branch has a say of sorts on what it does.

The Procurement Policy Office, which will be lodged in the Office of Management and Budget, will be headed by an administrator whose appointment must be approved by the Senate. He will have no other duties in OMB, will have a separate appropriation for his activities, and will report directly to Congress.

Congress stipulated that meetings held for the purpose of establishing procurement policy will be open to the public, which will get 10-day notice of such sessions. Further, the administrator will give Congress 30-day notice before the effective date of any major policy change. While a provision giving Congress a veto over changes was dropped from the bill, the lawmakers left no doubt they expect to keep an eye on government buying practices.

## Credit Insurance Is Under the Gun

Credit insurance sales practices are again under investigation by the Federal Trade Commission and the result could be refunds to some consumers.

FTC is looking at consumer finance companies that sell life, health and accident policies to cover instalment loans.

One purpose of the industry-wide investigation, says FTC, is to find out if the consumer knows he is buying the insurance, and if so, if he is led to believe its purchase is required to obtain credit. A related objective is to determine whether premiums for such insurance should be included in the finance charge, and in computation of the annual percentage rate given to borrowers under the Truth in Lending Act.

Should FTC find violations of that Act or the Federal Trade Commission Act, those who are adjudged violators may be required to offer pro-rata refunds of insurance premiums to consumers requesting them.

## Hard Times for Social Security Check Thieves

The federal government next month begins pilot testing a system that will permit it to directly deposit Social Security checks in financial institutions.

Some 700,000 recipients in Georgia will be the initial test group. They will have the option of having their monthly checks sent directly to a bank or thrift institution for credit to their accounts, or of continuing to receive the checks at their homes through the mail.

The Treasury Department says a report indicates that four out of five Social Security beneficiaries already have bank or thrift institution accounts, or both. In addition to cutting postal and administrative costs for the government, the new system is expected to prevent theft or loss of checks.

In April, 1975, the voluntary program will be extended to Florida, which has 1.4 million recipients. In July, 1975, the Treasury plans to install this "Direct Deposit System" nationwide.

Then, by the end of 1976, the Treasury will switch over to an electronic transfer system, in which magnetic tape will transmit payment information to the Federal Reserve, which will distribute the figures to financial institutions.

Should all go well, the electronic system likely will be extended to the Veterans Administration, Railroad Retirement Board and Civil Service Commission to handle their monthly payments.

## Making It Easier for Small Firms to Borrow

It should be somewhat easier in the future for small businesses to qualify for Small Business Administration loans to finance improvements required by water quality standards.

To get such a loan, the small firm must have a written statement from the Environmental Protection Agency or, if appropriate, from the state. In the past these statements haven't come fast enough for many beleaguered businesses.

EPA is soliciting comments from the public on ways to simplify the present system. For example, it says it is considering such modifications as accepting a certificate of the improvements' adequacy that is furnished by an independent consulting engineer—instead of relying only on EPA's technical staff.

Streamlining of its administrative requirements, EPA says, should mean the small businessman would get a statement in 45 working days.

EPA's changes would not affect SBA's requirements regarding financial eligibility for a loan.

## An Advisable Change in OSHA

Small businessmen in particular remain hopeful that major reforms of the unwieldy Occupational Safety and Health Act of 1970 will still surface in this session of Congress.

The most needed change is establishment of a system of on-site consultation under which government inspectors could provide advice on how to eliminate alleged work hazards without penalizing the employers.

As the law now stands, the inspectors have no choice but to issue citations when violations are found—regardless of their seriousness—even on the first inspection.

Business groups favoring an on-site consultation program argue that an employer should have some assurance that he faces no greater liability because he voluntarily calls for consultation and inspection.

Though business groups contend on-site consultation should be available to all employers, regardless of number of employees, most legislative proposals specify that the consultation would only apply to firms with 100 employees or less.

The major problem in bringing about the change appears to be disagreement over who would administer the program.

Business groups favor placing the responsibility with the Labor Department's Occupational Safety and Health Administration, which handles enforcement of the Act.

Organized labor, ostensibly concerned that such a consultation program would reduce funds for enforcement of OSHA standards, wants the program run by another agency, such as the Small Business Administration.

While Congress has not yet moved to change the 1970 Act, there has been a step in that direction. An appropriations bill includes $5 million to fund on-site consultation by federally approved state OSHA-type agencies in fiscal year 1975. To date, 25 states have established such agencies.

## Far-Off Benefits of Space Travel

What should we do in space between 1980 and the year 2000, and beyond? The National Aeronautics and Space Administration has a one-year study under way to create a blueprint.

The study will try to appraise all space activities having possible scientific, economic or sociological benefits—even colonization of the moon.

A year ago, NASA outlined before the Senate Committee on Aeronautical and Space Sciences a possible plan for 725 shuttle flights between earth and manned space platforms from 1979 to 1991.

## The Army Advances on New Ideas

The Army is fighting red tape in order to give quick answers to those who think they have invented valuable new weapons or have otherwise devised better ways to fight or deter a war.

A group of specialists, called the Advanced Concept Team, has been assembled in the Pentagon by the director of Army research. The group will be the focal point for studying novel military ideas that originate with industrial laboratories and others in research and development.

The aim, says the Army, is to simplify the transfer of technology by giving the proposing organization or individual a hearing and evaluation at one location, thus avoiding the frustration and delay of going up through the chain of command.

More than a fragmentary idea will be required, to get a hearing. The new listening post, the Army says, "will be receptive to concepts which have had the benefit of some analysis by the proponent in order to assess the technical risk, the expected operational effectiveness and the estimated costs."

EDITORIAL

# The Other Side of the Coin

You generally hear inflation discussed in terms of prices, as if sellers were getting rich and buyers having a tough time.

Generally, the reference is to the government's cost of living index, which measures consumer prices. That has indeed gone up, by 120 per cent since 1947.

But that's only one side of the coin. Take a look at another government figure—the average American paycheck. Since 1947, it has gone up 238 per cent—twice as much as the price index.

Can you really blame inflation on pricing?

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